

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
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February 3, 2005

6:00 - 8:00 PM

**Senate Hearing Room 4
Olympia, Washington**

AGENDA

**Work Session
Bills and Budget Items**

- 6:00 PM **(1) Approval of Previous Meeting Minutes**
- 6:15 PM **(2) Update on SCPP Bills**
– Bob Baker, Senior Research Analyst
- 6:45 PM **(3) Briefing on non-SCPP Bills**
– Laura Harper, Senior Research Analyst
Legal
- 7:15 PM **(4) Public Comment**
- 8:00 PM **(5) Adjourn**

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director*
Office of Financial Management

Senator Don Carlson

John Charles, Director
Department of Retirement Systems

Representative Steve Conway*
Vice Chair

Richard Ford
PERS Retirees

Senator Karen Fraser*
Chair

Representative Bill Fromhold

Leland A. Goeke*
TRS and SERS Employers

Bob Keller
PERS Actives

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Glenn Olson
PERS Employers

Representative Larry Crouse

Diane Rae
TRS Actives

Senator Debbie Regala

J. Pat Thompson
PERS Actives

David Westberg*
SERS Actives

***Executive Committee**

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DRAFT MINUTES

December 7, 2004

The Select Committee on Pension Policy met in Senate Hearing Room 4, Olympia, Washington on December 7, 2004.

Committee members attending:

Representative Alexander
Elaine Banks
Senator Carlson
John Charles
Lois Clement
Representative Crouse
Representative Fromhold

Leland Goeke
Bob Keller
Glenn Olson
Diane Rae
J. Pat Thompson
Dave Westberg

Representative Fromhold, Chair, called the meeting to order at 9:45 AM.

Representative Fromhold introduced Lois Clement, the newly appointed SCPP Committee Member.

(1) Approval of Minutes

*It was moved to approve the November 9th SCPP minutes.
Seconded.*

MOTION CARRIED

(2) LEOFF 1 Benefit Cap

The Executive Committee recommended that the “LEOFF 1 Benefit Cap” issue be studied during the 2005 Interim.

(3) LEOFF 1 Ex-spouse Survivor Benefit

Bob Baker, Senior Research Analyst, presented the “LEOFF 1 Ex-spouse Survivor Benefit” report.

The following people testified:

Dick Warbrouck, Retired Firefighters of Washington
Jim Justin, Washington Association of Cities

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director*
Office of Financial Management

Senator Don Carlson

John Charles, Director
Department of Retirement Systems

Representative Steve Conway*
Vice Chair

Richard Ford
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It was moved that "LEOFF 1 Ex-Spouse Survivor Benefits" bill draft Z-0247.1/05 be recommended to the Legislature. Seconded.

MOTION CARRIED

(4) Interruptive Military Service

Laura Harper, Senior Research Analyst Legal, presented the "Interruptive Military Service" report.

It was moved that "Interruptive Military Service" bill draft Z-0177.1/05 be recommended to the Legislature. Seconded.

MOTION CARRIED

Representative Fromhold stated that it is his and the Executive Committee's intent to combine the Deferred Rate Increases and Purchasing Power issues as a package.

Senator Carlson requested to keep the "Deferred Rate Increases" and "Purchasing Power" issues separate.

(5) Deferred Rate Increases

Matt Smith, State Actuary, presented the "Deferred Rate Increases" report. Discussion followed.

The following people testified:

Randy Parr, Washington Education Association

Jim Justin, Association of Washington Cities

Sophia Byrd, Washington State Association of Counties

Lynn Maier, Washington Public Employees Association

Cassandra de la Rosa, Retired Public Employees Council

Leslie Main, Washington State School Retirees Association

John Kvamme, Washington Association of School Administrators/

Association of Washington School Principals

(6) Purchasing Power

(a) Plan 1 COLA/Gain-sharing

Bob Baker, Senior Research Analyst, presented the "Plan 1 COLA/Gain-sharing" report.

(b) Plan 3 Gain-sharing

Laura Harper, Senior Research Analyst, presented the "Plan 3 Gain-sharing" report.

The following people testified:

Cassandra de la Rosa, Retired Public Employees Council
Jean Kycek, Washington Education Association, retired
Helen Carlstrom, Washington Education Association, retired
Ron Roy, IBEW77/Chelan PUD
Lynn Maier, Washington Public Employees Association
Randy Parr, Washington Education Association
Ed Gonion, Washington State School Retirees Association
Leslie Main, Washington State School Retirees Association
Betty Johnson, Washington State School Retirees Association, retired
Jim Justin, Washington Association of Cities
Randy Hathaway, Washington School Personnel Association
Ken Kanikeberg, Public School Employees of Washington
Roger Mollier, Washington State Council of County and City Employees
John Kvamme, Washington Association of School Administrators/
Association of Washington School Principals

It was moved to combine “Deferred Rate Increases” and “Purchasing Power” issues as a package. Seconded.

Senator Carlson moved to keep “Deferred Rate Increases” and “Purchasing Power” issues separate.

MOTION FAILED

Senator Carlson asked for a Roll Call.

It was moved that “Deferred Rate Increases” bill draft Z -0208.2/05 2nd draft, “Plan 1 COLA/Gain-sharing” bill draft Z-0235.1/05, and “Plan 3 Gain-sharing” bill draft Z-0259.1/05 be recommended to the legislature. Seconded.

MOTION CARRIED

(7) Age 65 Retirement

(a) TRS Service Credit Purchase

Laura Harper, Senior Research Analyst Legal, reviewed the “TRS Service Credit Purchase” report.

The following people testified:

Randy Parr, Washington Education Association
John Kvamme, Washington Association of School Administrators/
Association of Washington School Principals

It was moved that "TRS Service Credit Purchase" bill draft Z- 0203.1/05 be recommended to the Legislature.
Seconded.

MOTION CARRIED

- (b) TRS Out-of-state Service Credit Purchase
Laura Harper, Senior Research Analyst legal, reviewed the "TRS Out-of-state Service Credit Purchase" report.

The following people testified:
John Kvamme, Washington Association of School Administrators/
Association of Washington School Principals
Randy Parr, Washington Education Association
Randy Hathaway, Washington School Personnel Association

It was moved that "TRS Out-of-state Service Credit" bill draft Z-0242.1/05 be recommended to the Legislature.
Seconded.

MOTION CARRIED

- (8) **Technical Corrections**
Bob Baker, Senior Research Analyst, reviewed the "Technical Corrections" report.

It was moved to strike section 9 in the "Technical Corrections" bill draft Z-0237.1/05. Seconded.

MOTION CARRIED

It was moved that the amended "Technical Corrections" bill draft be recommended to the legislature. Seconded.

MOTION CARRIED

The Committee members thanked Senator Carlson for all of his work while serving on the Committee.

Representative Fromhold thanked the Committee members, staff and everyone who worked on SCPP issues.

The meeting adjourned at 12:55 PM.

Select Committee on Pension Policy
2005 Legislative Session
Legislation Proposed by the SCPP
(January 25, 2005)

1. **HB 1318: Age 70-1/2; Opt In/Opt Out.** This bill impacts the Public Employee's Retirement System (PERS), School Employee's Retirement System (SERS), and Teachers Retirement System (TRS) by allowing members who retire on or after age seventy and one-half, and who fulfill the 1 month separation requirement, to return to work without restriction; upon receipt of retirement benefits such an individual would cease active membership and no longer make contributions nor receive service credit.

The bill also allows state elective officials who are members of PERS, SERS Plans 2/3, or TRS Plans 2/3 the option to continue or resume membership, and if otherwise eligible, retire and receive their retirement allowance at the beginning of each term of office. A state elected official member who chooses to end membership at the beginning of a term of office shall neither make contributions nor earn service credit for the duration of that term. Current state elected and appointed officials are exempt from this act unless they leave elected office, or are re-elected after the effective date of the act.

Fiscal Impact: See fiscal note.

2. **SB 5193 / HB 1323: Executive Committee Membership.** This bill would add one retiree representative to the Executive Committee of the Select Committee on Pension Policy. In addition, this bill would delete from statute the provision requiring the director of the office of financial management to serve as a member of the Executive Committee in alternate years.

Fiscal Impact: None.

3. **SB 5261 / HB 1325: Interruptive Military Service.** This bill impacts the Public Employees' Retirement System, the School Employees' Retirement System, the Teachers' Retirement System, the Law Enforcement Officers' and Firefighters' Retirement System Plan 2, the Washington State Patrol Retirement System, and the Public Safety Employees' Retirement System by authorizing interruptive military service credit for employees who cannot return to public employment due to death or total disability while serving in the uniformed services. Service credit could be purchased by a disabled member or survivor(s) of a deceased member for interruptive military service credit up to the date of death or disability.

Fiscal Impact: Not sufficient to increase contribution rates.

4. **SB 5192 / HB 1328: LEOFF 1 Disability Boards.** This bill impacts the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plan 1. The bill addresses jurisdiction, disability board membership and eligibility to vote for member representatives on the board. The proposed legislation provides that the jurisdiction of the county disability boards applies to all members employed by or retired from an employer within the county and not employed by a city in which a disability board is established. It also clarifies that to serve on the county disability board, a fire fighter or law enforcement officer must be employed by or retired from an employer within the county and not be employed by or retired from a city in which a disability board is established. Those voting for employee representatives on the county disability board must be employed by or retired from an employer within the county and not employed by or retired from a city in which a disability board is established. Finally, the bill addresses the election of the firefighter and law enforcement officer positions on the board and adds the following new provisions: a) if there are no firefighters eligible to vote, a second eligible member representative shall be elected by the law enforcement officers eligible to vote, and b) if there are no law enforcement officers eligible to vote, a second member representative shall be elected by the fire fighters eligible to vote.

Fiscal Impact: None.

5. **SB 5247 / HB 1319: LEOFF 1 Ex-spouse Survivor Benefit.** This bill impacts the Law Enforcement Officer's and Fire Fighter's Retirement System Plan 1 (LEOFF 1) by allowing all ex-spouses of LEOFF 1 members, who have been provided benefits under any court approved property settlement agreement incident to the divorce of the member and ex-spouse, to continue receiving those benefits after the death of the member. The bill will also allow those ex-spouses whose benefit was suspended upon a member's death to resume their benefit.

Fiscal Impact: There is a cost, but the LEOFF 1 Plan is in surplus, so there is no impact on contribution rates.

6. **HB 1329: LEOFF 1 Survivor Benefits.** This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1. It amends the plan provision relating to survivor benefits under RCW 41.26.164, which provides an optional reduced retirement allowance with survivor benefits to spouses that are ineligible for survivor benefits under other plan provisions. The bill changes one of the criteria for allowing a member to choose this retirement option. Under this legislation, the member could select the option as long as there is some portion of his or her retirement benefit that is not subject to a property division pursuant to a domestic relations order. Currently, any division would defeat the member's ability to select this option.

Fiscal Impact: None.

7. **SB 5324 / HB 1321: Part-time ESAs.** This bill impacts the Teachers' Retirement System (TRS) Plan 1 by allowing Certified Educational Staff Associates (ESAs) to annualize their salaries when calculating their average final compensation so they may receive proportionate retirement benefits.

Fiscal Impact: Not sufficient to increase contribution rates.

8. **SB 5246 / HB 1324: Pension Funding and Gain-sharing.** This bill is a combination of three SCPP Legislative proposals – the Deferred Rate Increases, Plan 1 COLA/Gain-sharing and Plan 3 Gain-sharing.

Deferred Rate Increases. These sections of the bill impact the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), and Public Safety Employees' Retirement System (PSERS) by establishing required basic employer and state contribution rates and required Plan 2 member contribution rates. The four-year schedule of annual contribution rates differs from the normal biennial process for setting rates and departs from the usual formula for allocating contributions among the plans. For PERS and SERS, the rates are lower in the first two years than required by the 2003 actuarial valuation and are higher in the second two years than required by the projected 2005 actuarial valuation. For TRS, the rates are lower in the first year of each biennium and higher in the second year. The schedule thus allows for a gradual phase-in of required increases in contribution rates.

The bill establishes minimum basic employer and state contribution rates and required Plan 2 member contribution rates to promote rate stability over time. These minimum rates function as a "floor" beneath which contribution rates are not intended to drop.

The pension funding council is required to review the appropriateness of these rates and recommend to the legislature any adjustments as may be needed due to material changes in benefits or actuarial assumptions, methods or experience.

Plan 1 COLA/Gain-sharing. These sections of the bill impact the Public Employee's Retirement System Plan 1 (PERS 1) and the Teachers Retirement System Plan 1 (TRS 1) by:

- Enhancing the annual increase amount by 20 cents. This would raise the July 1, 2005 amount from \$1.25 to \$1.45.
- Establishing a \$1,000 alternative minimum benefit for members with 20 years of service who have been retired 25 years.
- Establishing a 3% annual escalator for both \$1,000 alternative minimum benefit provisions.

- Amending Uniform COLA eligibility requirements to include all retirees who have been retired one year and will have attained age 66 by December 31st of the calendar year in which the increase is given.
- Repealing Plan 1 gain-sharing.

Plan 3 Gain-sharing. These sections of the bill eliminate Plan 3 gain-sharing for TRS and PERS. Existing Plan 3 gain-sharing provisions would be replaced with a rule of 90 that uses an age 60 minimum, and that has unreduced benefits for prospective service only in TRS 2/3, SERS 2/3 and PERS 2/3. In addition, Plan 2/3 choice would be added for new hires in TRS and SERS (same structure for choice as in PERS). The legislation amends Plan 3 gain-sharing for SERS by providing an annual contribution of \$10 times years of service to the defined contribution accounts of existing SERS 3 members. Future SERS 3 members would not be eligible for this annual contribution.

The trade-off package removes the Plan 3 provision that allows members to change their employee contribution rate by notifying their employer in writing during the month of January. The bill also amends the section of the actuarial funding chapter addressing employee contributions in order to make it consistent with the changes to gain-sharing.

Fiscal Impact: See fiscal note.

9. **HB 1320: Plan 3 Vesting.** This bill impacts the Teachers Retirement System (TRS), School Employee's Retirement System (SERS), and Public Employee's Retirement System (PERS) Plans 3 by lowering the vesting period for the defined benefit portion of these plans from ten years to five.

Fiscal Impact: See fiscal note.

10. **SB 5244 / HB 1326: Post-retirement Employment.** This bill impacts the Teachers' Retirement System (TRS) Plan 1 and the Public Employees' Retirement System (PERS) Plan 1. It adds the same general hiring qualifications to TRS 1 as currently exist for PERS 1 retirees who seek to work in excess of 867 hours annually. Those include a prohibition of any written or verbal agreement to return to work with the same employer. Under the legislation, a TRS 1 separation from service that is pursuant to such an agreement would be nullified and would constitute a potential misdemeanor violation of the statute entitled "Penalties for False Statements." Further, TRS 1 employers are subject to certain record-keeping requirements when they hire these retirees, including documentation of the need to hire the retirees and records of the actual hiring process. The language for these requirements largely tracks that of the existing PERS 1 statute.

The proposed draft also requires both PERS and TRS Plan 1 employers to hire retirees pursuant to a written policy. In the proposed legislation, the length of separation requirement (between retirement and re-employment) for working beyond 867 hours is specified for TRS 1 as 45 days (rather than the 90 days already in effect for PERS 1.) Also, this bill creates a new cumulative limit of 3165 hours worked over 867 for both plans (from no cumulative total limit in TRS 1 and from a 1900-hour cumulative total limit in PERS 1). The new cumulative limit starts anew as of the effective date of the bill, which is January 1, 2006. Finally, the contractual right to post-retirement employment in TRS 1 is expanded from 525 hours per year to 867 hours.

Fiscal Impact: Indeterminate.

11. **SB 5245 / HB 1330: Technical Corrections.** This bill impacts the Teacher's, Public Safety Employee's (PSERS), School Employee's, and Public Employee's Retirement Systems by making technical corrections to incorrect cross-references, inadvertent omissions of necessary references, and accidental duplication of statutory language. The bill also codifies current administrative practices, and repeals obsolete or unnecessary sections.

Fiscal Impact: None.

12. **HB 1322: TRS Out-of-state Service Credit.** This bill impacts the Teachers' Retirement System (TRS) by allowing members of Plans 2 and 3 to make a one-time purchase of up to seven years of service credit for public education experience (state and federal) outside the Washington State Retirement System. The public education experience claimed must have been covered by a governmental retirement or pension plan, and the member must not be receiving a benefit or eligible to receive an unreduced retirement benefit that includes the service to be purchased. To take advantage of this provision, a member must have at least five and less than ten years of service credit in TRS. The purchase cannot result in the purchase of service credit that is greater than the member's total years of creditable service in the retirement system.

The member pays the product of the sum of the applicable employer and employee contribution rates multiplied by the member's salary at the time of purchase, and further multiplied by the total number of years of service credit to be purchased, plus compounded interest for the period for which the service credit is purchased at a rate equal to the investment rate of return assumption set forth in the actuarial funding chapter, Chapter 41.45 RCW. The applicable employer and employee contribution rates are based on the member's age at entry into TRS and calculated under the entry age normal cost method. All or part of the cost may be paid by a rollover or transfer from an eligible retirement plan, and the employer may pay all or a portion of the member's cost. The service credit purchased is membership service and may be used to qualify the member for retirement.

Fiscal Impact: See fiscal note.

13. **HB 1327: TRS Service Credit Purchase.** This bill impacts the Teachers' Retirement System (TRS) Plans 2 and 3 by allowing eligible members, at the time of retirement, to purchase up to five years of additional service credit. The service credit can be used to help offset the benefit reductions for early retirement.

Eligible members would include only members who are eligible for early retirement under the provisions of the system. Additional service credit purchased under this bill does not constitute membership service and, therefore, could not be used to qualify for retirement.

A member purchasing additional service credit under this bill would pay the full actuarial cost of the service credit with a lump sum payment, eligible rollover, direct rollover, and/or trustee-to-trustee transfer from an eligible retirement plan (at the time of retirement).

Fiscal Impact: None.

14. **SB 5341 / HB 1317: WSP Rate Stability.** This bill impacts the Washington State Patrol Retirement System by changing the contribution rate setting formula. The bill would establish member contribution rates at 1/3 of the total cost of the system, or 7 percent, whichever is less. However, in no event will the member rate be less than 2 percent. The employer would then be responsible for paying the remaining costs of the system.

Fiscal Impact: There is a cost, but primarily outside of the State general fund.

HOUSE BILL 1324

State of Washington

59th Legislature

2005 Regular Session

By Representatives Fromhold, Conway, Crouse, Simpson and Linville; by request of Select Committee on Pension Policy

Read first time 01/20/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to public pensions that replaces gain-sharing
2 provisions with certain changes in benefits and sets contribution rates
3 for the public employees' retirement system, the teachers' retirement
4 system, the school employees' retirement system, and the public safety
5 employees' retirement system; amending RCW 41.40.630, 41.40.820,
6 41.32.765, 41.32.875, 41.35.420, 41.35.680, 41.32.835, 41.35.610,
7 41.31A.010, 41.31A.020, 41.45.061, 41.34.040, 41.32.010, 41.32.4851,
8 41.32.489, 41.40.010, 41.40.010, 41.40.197, and 41.40.1984; adding new
9 sections to chapter 41.45 RCW; creating a new section; decodifying RCW
10 41.31A.030, 41.31A.040, and 41.45.054; repealing RCW 41.31.010,
11 41.31.020, and 41.31.030; providing effective dates; providing an
12 expiration date; and declaring an emergency.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

14 **Sec. 1.** RCW 41.40.630 and 2000 c 247 s 901 are each amended to
15 read as follows:

16 (1) NORMAL RETIREMENT. Any member with at least five service
17 credit years who has attained at least age sixty-five shall be eligible
18 to retire and to receive a retirement allowance computed according to
19 the provisions of RCW 41.40.620.

1 (2) UNREDUCED RETIREMENT. Any member who has completed at least
2 five service credit years and has attained age sixty, and for whom the
3 sum of the number of years of the member's age and the number of years
4 of the member's service credit equals ninety or more, shall be eligible
5 to retire. For the portion of the member's benefit that is based on
6 service credit earned after July 1, 2007, the member shall receive an
7 unreduced retirement allowance computed according to the provisions of
8 RCW 41.40.620. For the portion of the member's benefit that is based
9 on service credit earned prior to July 1, 2007, the retirement
10 allowance shall be reduced under subsection (3) or (4) of this section
11 as applicable.

12 (3) EARLY RETIREMENT. Any member who has completed at least twenty
13 service credit years and has attained age fifty-five shall be eligible
14 to retire and to receive a retirement allowance computed according to
15 the provisions of RCW 41.40.620, except that a member retiring pursuant
16 to this subsection shall have the retirement allowance actuarially
17 reduced to reflect the difference in the number of years between age at
18 retirement and the attainment of age sixty-five.

19 ~~((+3+))~~ (4) ALTERNATE EARLY RETIREMENT. Any member who has
20 completed at least thirty service credit years and has attained age
21 fifty-five shall be eligible to retire and to receive a retirement
22 allowance computed according to the provisions of RCW 41.40.620, except
23 that a member retiring pursuant to this subsection shall have the
24 retirement allowance reduced by three percent per year to reflect the
25 difference in the number of years between age at retirement and the
26 attainment of age sixty-five.

27 **Sec. 2.** RCW 41.40.820 and 2000 c 247 s 309 are each amended to
28 read as follows:

29 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
30 and who has:

31 (a) Completed ten service credit years; or

32 (b) Completed five service credit years, including twelve service
33 credit months after attaining age fifty-four; or

34 (c) Completed five service credit years by the transfer payment
35 date specified in RCW 41.40.795, under the public employees' retirement
36 system plan 2 and who transferred to plan 3 under RCW 41.40.795;

1 shall be eligible to retire and to receive a retirement allowance
2 computed according to the provisions of RCW 41.40.790.

3 (2) UNREDUCED RETIREMENT. Any member who has completed the number
4 of service credit years required in subsection (1) of this section and
5 has attained age sixty, and for whom the sum of the number of years of
6 the member's age and the number of years of the member's service credit
7 equals ninety or more, shall be eligible to retire. For the portion of
8 the member's benefit that is based on service credit earned after July
9 1, 2007, the member shall receive an unreduced retirement allowance
10 computed according to the provisions of RCW 41.40.790. For the portion
11 of the member's benefit that is based on service credit earned prior to
12 July 1, 2007, the retirement allowance shall be reduced under
13 subsection (3) or (4) of this section as applicable.

14 (3) EARLY RETIREMENT. Any member who has attained at least age
15 fifty-five and has completed at least ten years of service shall be
16 eligible to retire and to receive a retirement allowance computed
17 according to the provisions of RCW 41.40.790, except that a member
18 retiring pursuant to this subsection shall have the retirement
19 allowance actuarially reduced to reflect the difference in the number
20 of years between age at retirement and the attainment of age sixty-
21 five.

22 ~~((+3+))~~ (4) ALTERNATE EARLY RETIREMENT. Any member who has
23 completed at least thirty service credit years and has attained age
24 fifty-five shall be eligible to retire and to receive a retirement
25 allowance computed according to the provisions of RCW 41.40.790, except
26 that a member retiring pursuant to this subsection shall have the
27 retirement allowance reduced by three percent per year to reflect the
28 difference in the number of years between age at retirement and the
29 attainment of age sixty-five.

30 **Sec. 3.** RCW 41.32.765 and 2000 c 247 s 902 are each amended to
31 read as follows:

32 (1) NORMAL RETIREMENT. Any member with at least five service
33 credit years of service who has attained at least age sixty-five shall
34 be eligible to retire and to receive a retirement allowance computed
35 according to the provisions of RCW 41.32.760.

36 (2) UNREDUCED RETIREMENT. Any member who has completed at least
37 five service credit years and has attained age sixty, and for whom the

1 sum of the number of years of the member's age and the number of years
2 of the member's service credit equals ninety or more, shall be eligible
3 to retire. For the portion of the member's benefit that is based on
4 service credit earned after July 1, 2007, the member shall receive an
5 unreduced retirement allowance computed according to the provisions of
6 RCW 41.32.760. For the portion of the member's benefit that is based
7 on service credit earned prior to July 1, 2007, the retirement
8 allowance shall be reduced under subsection (3) or (4) of this section
9 as applicable.

10 (3) EARLY RETIREMENT. Any member who has completed at least twenty
11 service credit years of service who has attained at least age fifty-
12 five shall be eligible to retire and to receive a retirement allowance
13 computed according to the provisions of RCW 41.32.760, except that a
14 member retiring pursuant to this subsection shall have the retirement
15 allowance actuarially reduced to reflect the difference in the number
16 of years between age at retirement and the attainment of age sixty-
17 five.

18 ((+3+)) (4) ALTERNATE EARLY RETIREMENT. Any member who has
19 completed at least thirty service credit years and has attained age
20 fifty-five shall be eligible to retire and to receive a retirement
21 allowance computed according to the provisions of RCW 41.32.760, except
22 that a member retiring pursuant to this subsection shall have the
23 retirement allowance reduced by three percent per year to reflect the
24 difference in the number of years between age at retirement and the
25 attainment of age sixty-five.

26 **Sec. 4.** RCW 41.32.875 and 2000 c 247 s 903 are each amended to
27 read as follows:

28 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
29 and who has:

- 30 (a) Completed ten service credit years; or
31 (b) Completed five service credit years, including twelve service
32 credit months after attaining age fifty-four; or
33 (c) Completed five service credit years by July 1, 1996, under plan
34 2 and who transferred to plan 3 under RCW 41.32.817;
35 shall be eligible to retire and to receive a retirement allowance
36 computed according to the provisions of RCW 41.32.840.

1 (2) UNREDUCED RETIREMENT. Any member who has completed the number
2 of service credit years required in subsection (1) of this section and
3 has attained age sixty, and for whom the sum of the number of years of
4 the member's age and the number of years of the member's service credit
5 equals ninety or more, shall be eligible to retire. For the portion of
6 the member's benefit that is based on service credit earned after July
7 1, 2007, the member shall receive an unreduced retirement allowance
8 computed according to the provisions of RCW 41.32.840. For the portion
9 of the member's benefit that is based on service credit earned prior to
10 July 1, 2007, the retirement allowance shall be reduced under
11 subsection (3) or (4) of this section as applicable.

12 (3) EARLY RETIREMENT. Any member who has attained at least age
13 fifty-five and has completed at least ten years of service shall be
14 eligible to retire and to receive a retirement allowance computed
15 according to the provisions of RCW 41.32.840, except that a member
16 retiring pursuant to this subsection shall have the retirement
17 allowance actuarially reduced to reflect the difference in the number
18 of years between age at retirement and the attainment of age sixty-
19 five.

20 (~~((+3+))~~) (4) ALTERNATE EARLY RETIREMENT. Any member who has
21 completed at least thirty service credit years and has attained age
22 fifty-five shall be eligible to retire and to receive a retirement
23 allowance computed according to the provisions of RCW 41.32.840, except
24 that a member retiring pursuant to this subsection shall have the
25 retirement allowance reduced by three percent per year to reflect the
26 difference in the number of years between age at retirement and the
27 attainment of age sixty-five.

28 **Sec. 5.** RCW 41.35.420 and 2000 c 247 s 905 are each amended to
29 read as follows:

30 (1) NORMAL RETIREMENT. Any member with at least five service
31 credit years who has attained at least age sixty-five shall be eligible
32 to retire and to receive a retirement allowance computed according to
33 the provisions of RCW 41.35.400.

34 (2) UNREDUCED RETIREMENT. Any member who has completed at least
35 five service credit years and has attained age sixty, and for whom the
36 sum of the number of years of the member's age and the number of years
37 of the member's service credit equals ninety or more, shall be eligible

1 to retire. For the portion of the member's benefit that is based on
2 service credit earned after July 1, 2007, the member shall receive an
3 unreduced retirement allowance computed according to the provisions of
4 RCW 41.35.400. For the portion of the member's benefit that is based
5 on service credit earned prior to July 1, 2007, the retirement
6 allowance shall be reduced under subsection (3) or (4) of this section
7 as applicable.

8 (3) EARLY RETIREMENT. Any member who has completed at least twenty
9 service credit years and has attained age fifty-five shall be eligible
10 to retire and to receive a retirement allowance computed according to
11 the provisions of RCW 41.35.400, except that a member retiring pursuant
12 to this subsection shall have the retirement allowance actuarially
13 reduced to reflect the difference in the number of years between age at
14 retirement and the attainment of age sixty-five.

15 ~~((+3+))~~ (4) ALTERNATE EARLY RETIREMENT. Any member who has
16 completed at least thirty service credit years and has attained age
17 fifty-five shall be eligible to retire and to receive a retirement
18 allowance computed according to the provisions of RCW 41.35.400, except
19 that a member retiring pursuant to this subsection shall have the
20 retirement allowance reduced by three percent per year to reflect the
21 difference in the number of years between age at retirement and the
22 attainment of age sixty-five.

23 **Sec. 6.** RCW 41.35.680 and 2000 c 247 s 906 are each amended to
24 read as follows:

25 (1) NORMAL RETIREMENT. Any member who is at least age sixty-five
26 and who has:

27 (a) Completed ten service credit years; or

28 (b) Completed five service credit years, including twelve service
29 credit months after attaining age fifty-four; or

30 (c) Completed five service credit years by September 1, 2000, under
31 the public employees' retirement system plan 2 and who transferred to
32 plan 3 under RCW 41.35.510;

33 shall be eligible to retire and to receive a retirement allowance
34 computed according to the provisions of RCW 41.35.620.

35 (2) UNREDUCED RETIREMENT. Any member who has completed the number
36 of service credit years required in subsection (1) of this section and
37 has attained age sixty, and for whom the sum of the number of years of

1 the member's age and the number of years of the member's service credit
2 equals ninety or more, shall be eligible to retire. For the portion of
3 the member's benefit that is based on service credit earned after July
4 1, 2007, the member shall receive an unreduced retirement allowance
5 computed according to the provisions of RCW 41.35.620. For the portion
6 of the member's benefit that is based on service credit earned prior to
7 July 1, 2007, the retirement allowance shall be reduced under
8 subsection (3) or (4) of this section as applicable.

9 (3) EARLY RETIREMENT. Any member who has attained at least age
10 fifty-five and has completed at least ten years of service shall be
11 eligible to retire and to receive a retirement allowance computed
12 according to the provisions of RCW 41.35.620, except that a member
13 retiring pursuant to this subsection shall have the retirement
14 allowance actuarially reduced to reflect the difference in the number
15 of years between age at retirement and the attainment of age sixty-
16 five.

17 ((+3+)) (4) ALTERNATE EARLY RETIREMENT. Any member who has
18 completed at least thirty service credit years and has attained age
19 fifty-five shall be eligible to retire and to receive a retirement
20 allowance computed according to the provisions of RCW 41.35.620, except
21 that a member retiring pursuant to this subsection shall have the
22 retirement allowance reduced by three percent per year to reflect the
23 difference in the number of years between age at retirement and the
24 attainment of age sixty-five.

25 **Sec. 7.** RCW 41.32.835 and 1995 c 239 s 105 are each amended to
26 read as follows:

27 (1) All teachers who first become employed by an employer in an
28 eligible position on or after ~~((July 1, 1996, shall be members of plan~~
29 ~~3))~~ July 1, 2007, shall have a period of ninety days to make an
30 irrevocable choice to become a member of plan 2 or plan 3. At the end
31 of ninety days, if the member has not made a choice to become a member
32 of plan 2, he or she becomes a member of plan 3.

33 (2) For administrative efficiency, until a member elects to become
34 a member of plan 3, or becomes a member of plan 3 by default under
35 subsection (1) of this section, the member shall be reported to the
36 department in plan 2, with member and employer contributions. Upon
37 becoming a member of plan 3 by election or by default, all service

1 credit shall be transferred to the member's plan 3 defined benefit, and
2 all employee accumulated contributions shall be transferred to the
3 member's plan 3 defined contribution account.

4 **Sec. 8.** RCW 41.35.610 and 1998 c 341 s 202 are each amended to
5 read as follows:

6 (1) All classified employees who first become employed by an
7 employer in an eligible position on or after ((September 1, 2000, shall
8 be members of plan 3)) July 1, 2007, shall have a period of ninety days
9 to make an irrevocable choice to become a member of plan 2 or plan 3.
10 At the end of ninety days, if the member has not made a choice to
11 become a member of plan 2, he or she becomes a member of plan 3.

12 (2) For administrative efficiency, until a member elects to become
13 a member of plan 3, or becomes a member of plan 3 by default under
14 subsection (1) of this section, the member shall be reported to the
15 department in plan 2, with member and employer contributions. Upon
16 becoming a member of plan 3 by election or by default, all service
17 credit shall be transferred to the member's plan 3 defined benefit, and
18 all employee accumulated contributions shall be transferred to the
19 member's plan 3 defined contribution account.

20 **Sec. 9.** RCW 41.31A.010 and 2000 c 247 s 407 are each amended to
21 read as follows:

22 The definitions in this section apply throughout this chapter
23 unless the context requires otherwise.

24 (1) "Actuary" means the state actuary or the office of the state
25 actuary.

26 (2) "Department" means the department of retirement systems.

27 (3) ~~(("Teacher" means any employee included in the membership of~~
28 ~~the teachers' retirement system as provided for in chapter 41.32 RCW.~~

29 ~~(4))~~ "Member account" or "member's account" means the sum of any
30 contributions as provided for in chapter 41.34 RCW and the earnings on
31 behalf of the member.

32 ~~((5))~~ (4) "Classified employee" means the same as in RCW
33 41.35.010.

34 ~~((6) "Public employee" means the same as "member" as defined in~~
35 ~~RCW 41.40.010(5).))~~

1 (5) "Terminated vested member" means a member who separates or has
2 separated from service after having completed enough service credit
3 years to be vested in the defined benefit portion of the members' plan
4 and who remains a member during the period of absence from service for
5 the exclusive purpose of receiving a future retirement allowance.

6 **Sec. 10.** RCW 41.31A.020 and 2003 c 294 s 4 are each amended to
7 read as follows:

8 (1) On January 1, ~~((2004))~~ 2008, and on January 1st of ~~((even-~~
9 ~~numbered years))~~ each year thereafter, the member account of a person
10 meeting the requirements of this section shall be credited by the
11 extraordinary investment gain amount.

12 ~~((The following persons))~~ Members, retirees, and terminated
13 vested members of the school employees' retirement system plan 3 as of
14 June 30, 2007, who also meet the criteria in any of (a) through (f) of
15 this subsection shall be eligible for the benefit provided in
16 subsection (1) of this section:

17 (a) Any member of the ~~((teachers' retirement system plan 3, the))~~
18 Washington school employees' retirement system plan 3~~((, or the public~~
19 ~~employees' retirement system plan 3))~~ who earned service credit during
20 the twelve-month period from September 1st to August 31st immediately
21 preceding the distribution and had a balance of at least one thousand
22 dollars in their member account on August 31st of the year immediately
23 preceding the distribution; or

24 (b) Any person in receipt of a benefit pursuant to RCW
25 ~~((41.32.875,))~~ 41.35.680~~((, or 41.40.820))~~; or

26 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
27 who:

28 (i) Completed ten service credit years; or

29 (ii) Completed five service credit years, including twelve service
30 months after attaining age fifty-four; or

31 ~~((Any teacher who is a retiree pursuant to RCW 41.34.020(8) and~~
32 ~~who has completed five service credit years by July 1, 1996, under plan~~
33 ~~2 and who transferred to plan 3 under RCW 41.32.817; or~~

34 ~~((e))~~ Any classified employee who is a retiree pursuant to RCW
35 41.34.020(8) and who has completed five service credit years by
36 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
37 or

~~((f) Any public employee who is a retiree pursuant to RCW 41.34.020(8) and who has completed five service credit years by March 1, 2002, and who transferred to plan 3 under RCW 41.40.795; or~~

~~(g)) (e) Any person who had a balance of at least one thousand dollars in their member account on August 31st of the year immediately preceding the distribution and who:~~

~~(i) Completed ten service credit years; or~~

~~(ii) Completed five service credit years, including twelve service months after attaining age fifty-four; or~~

~~((h) Any teacher who had a balance of at least one thousand dollars in their member account on August 31st of the year immediately preceding the distribution and who has completed five service credit years by July 1, 1996, under plan 2 and who transferred to plan 3 under RCW 41.32.817; or~~

~~(i)) (f) Any classified employee who had a balance of at least one thousand dollars in their member account on August 31st of the year immediately preceding the distribution and who has completed five service credit years by September 1, 2000, and who transferred to plan 3 under RCW 41.35.510(;~~

~~(j) Any public employee who had a balance of at least one thousand dollars in their member account on August 31st of the year immediately preceding the distribution and who has completed five service credit years by March 1, 2002, and who transferred to plan 3 under RCW 41.40.795)).~~

(3) The extraordinary investment gain amount shall be calculated as follows:

~~((a) One half of the sum of the value of the net assets held in trust for pension benefits in the teachers' retirement system combined plan 2 and 3 fund, the Washington school employees' retirement system combined plan 2 and 3 fund, and the public employees' retirement system combined plan 2 and 3 fund at the close of the previous state fiscal year not including the amount attributable to member accounts;~~

~~(b) Multiplied by the amount which the compound average of investment returns on those assets over the previous four state fiscal years exceeds ten percent;~~

~~(c) Multiplied by the proportion of:~~

~~(i) The sum of the service credit on August 31st of the previous~~

~~year of all persons eligible for the benefit provided in subsection (1) of this section; to~~

~~(ii) The sum of the service credit on August 31st of the previous year of:~~

~~(A) All persons eligible for the benefit provided in subsection (1) of this section;~~

~~(B) Any person who earned service credit in the teachers' retirement system plan 2, the Washington school employees' retirement system plan 2, or the public employees' retirement system plan 2 during the twelve month period from September 1st to August 31st immediately preceding the distribution;~~

~~(C) Any person in receipt of a benefit pursuant to RCW 41.32.765, 41.35.420, or 41.40.630; and~~

~~(D) Any person with five or more years of service in the teachers' retirement system plan 2, the Washington school employees' retirement system plan 2, or the public employees' retirement system plan 2;~~

~~(d) Divided proportionally among persons eligible for the benefit provided in subsection (1) of this section on the basis of their)) Ten dollars, which shall be increased by three percent per year rounded to the nearest cent, multiplied by the member's service credit total on August 31st of the previous year.~~

~~((4) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to receive this distribution not granted prior to that time.))~~

NEW SECTION. **Sec. 11.** RCW 41.31A.030 is decodified.

NEW SECTION. **Sec. 12.** RCW 41.31A.040 is decodified.

Sec. 13. RCW 41.45.061 and 2004 c 242 s 40 are each amended to read as follows:

(1) The required contribution rate for members of the ~~((plan 2))~~ teachers' retirement system plan 2 shall be ~~((fixed at the rates in effect on July 1, 1996, subject to the following:~~

~~(a) Beginning September 1, 1997, except as provided in (b) of this subsection, the employee contribution rate shall not exceed the employer plan 2 and 3 rates adopted under RCW 41.45.060, 41.45.054, and 41.45.070 for the teachers' retirement system;~~

1 ~~(b) In addition, the employee contribution rate for plan 2 shall be~~
2 ~~increased by fifty percent of the contribution rate increase caused by~~
3 ~~any plan 2 benefit increase passed after July 1, 1996;~~

4 ~~(c) In addition, the employee contribution rate for plan 2 shall~~
5 ~~not be increased as a result of any distributions pursuant to section~~
6 ~~309, chapter 341, Laws of 1998 and RCW 41.31A.020)) set at the same~~
7 ~~rate as the employer combined plan 2 and plan 3 rate.~~

8 (2) The required contribution rate for members of the school
9 employees' retirement system plan 2 shall ~~((equal the school employees'~~
10 ~~retirement system employer plan 2 and 3 contribution rate adopted under~~
11 ~~RCW 41.45.060, 41.45.054, and 41.45.070, except as provided in~~
12 ~~subsection (3) of this section.~~

13 ~~(3) The member contribution rate for the school employees'~~
14 ~~retirement system plan 2 shall be increased by fifty percent of the~~
15 ~~contribution rate increase caused by any plan 2 benefit increase passed~~
16 ~~after September 1, 2000)) be set at the same rate as the employer~~
17 ~~combined plan 2 and plan 3 rate.~~

18 ~~((+4))~~ (3) The required contribution rate for members of the
19 public employees' retirement system plan 2 shall be set at the same
20 rate as the employer combined plan 2 and plan 3 rate.

21 ~~((+5))~~ (4) The required contribution rate for members of the law
22 enforcement officers' and fire fighters' retirement system plan 2 shall
23 be set at fifty percent of the cost of the retirement system.

24 ~~((+6))~~ (5) The ~~((employee))~~ required contribution rates for
25 members of the school employees' retirement system plan 2 ~~((under~~
26 ~~subsections (3) and (4) of this section))~~ shall not include any
27 increase as a result of any distributions pursuant to RCW 41.31A.020
28 ~~((and 41.31A.030)).~~

29 ~~((+7))~~ (6) The required plan 2 and 3 contribution rates for
30 employers shall be adopted in the manner described in RCW 41.45.060~~((~~
31 ~~41.45.054,))~~ and 41.45.070.

32 ~~((+8))~~ (7) The required contribution rate for members of the
33 public safety employees' retirement system plan 2 shall be set at fifty
34 percent of the cost of the retirement system.

35 **Sec. 14.** RCW 41.34.040 and 2003 c 156 s 1 are each amended to read
36 as follows:

(1) A member shall contribute from his or her compensation according to one of the following rate structures in addition to the mandatory minimum five percent:

<u>Option A</u>	<u>Contribution Rate</u>
All Ages	0.0% fixed
<u>Option B</u>	
Up to Age 35	0.0%
Age 35 to 44	1.0%
Age 45 and above	2.5%
<u>Option C</u>	
Up to Age 35	1.0%
Age 35 to 44	2.5%
Age 45 and above	3.5%
<u>Option D</u>	
All Ages	2.0%
<u>Option E</u>	
All Ages	5.0%
<u>Option F</u>	
All Ages	10.0%

(2) The board shall have the right to offer contribution rate options in addition to those listed in subsection (1) of this section, provided that no significant additional administrative costs are created. All options offered by the board shall conform to the requirements stated in subsections (3) and (5) of this section.

(3)(a) For members of the teachers' retirement system entering plan 3 under RCW 41.32.835 or members of the school employees' retirement system entering plan 3 under RCW 41.35.610, within ninety days of becoming a member he or she has an option to choose one of the above contribution rate structures. If the member does not select an option within the ninety-day period, he or she shall be assigned option A.

(b) For members of the public employees' retirement system entering plan 3 under RCW 41.40.785, within the ninety days described in RCW 41.40.785 an employee who irrevocably chooses plan 3 shall select one of the above contribution rate structures. If the member does not select an option within the ninety-day period, he or she shall be assigned option A.

(c) For members of the teachers' retirement system transferring to plan 3 under RCW 41.32.817, members of the school employees' retirement system transferring to plan 3 under RCW 41.35.510, or members of the public employees' retirement system transferring to plan 3 under RCW 41.40.795, upon election to plan 3 he or she must choose one of the above contribution rate structures.

(d) Within ninety days of the date that an employee changes employers, he or she has an option to choose one of the above contribution rate structures. If the member does not select an option within this ninety-day period, he or she shall be assigned option A.

~~(4) ((Each year, members may change their contribution rate option by notifying their employer in writing during the month of January.~~

~~(5))~~ Contributions shall begin the first day of the pay cycle in which the rate option is made, or the first day of the pay cycle in which the end of the ninety-day period occurs.

NEW SECTION. **Sec. 15.** The benefits provided pursuant to sections 1 through 16 of this act are not provided to employees as a matter of contractual right prior to July 1, 2007. The legislature retains the right to alter or abolish these benefits at any time prior to July 1, 2007.

NEW SECTION. **Sec. 16.** Sections 1 through 14 of this act take effect July 1, 2007.

NEW SECTION. **Sec. 17.** A new section is added to chapter 41.45 RCW to read as follows:

The basic employer and state contribution rates and required plan 2 member contribution rates are changed to reflect the 2003 actuarial valuation and actuarial projections of the 2005 actuarial valuation, both of which incorporate the 2002 actuarial experience study conducted by the office of the state actuary for 1995-2000. This contribution rate schedule departs from the normal biennial process for setting contribution rates by requiring four annual increases in rates. The rates are lower in the first two years than required by the 2003 actuarial valuation and higher in the second two years than required by the projected 2005 actuarial valuation. Upon completion of the 2005 actuarial valuation, the pension funding council and the state actuary

1 shall review the appropriateness of the contribution rates for 2007-
2 2008 and 2008-2009 and by September 30, 2006, the pension funding
3 council shall recommend to the legislature any adjustments as may be
4 needed due to material changes in benefits or actuarial assumptions,
5 methods, or experience. This contribution rate schedule also requires
6 a departure from the allocation formula for contributions in RCW
7 41.45.050.

8 (1) Beginning July 1, 2005, the following employer contribution
9 rate shall be charged: 2.50 percent for the public employees'
10 retirement system, of which .75 percent shall be allocated to the
11 unfunded actuarial accrued liability for the public employees'
12 retirement system plan 1.

13 (2) Beginning September 1, 2005, the following employer
14 contribution rates shall be charged:

15 (a) 3.00 percent for the school employees' retirement system, of
16 which .75 percent shall be allocated to the unfunded actuarial accrued
17 liability for the public employees' retirement system plan 1; and

18 (b) 3.50 percent for the teachers' retirement system, of which 1.50
19 percent shall be allocated to the unfunded actuarial accrued liability
20 for the teachers' retirement system plan 1.

21 (3) Beginning July 1, 2005, the following member contribution rate
22 shall be charged: 1.75 percent for the public employees' retirement
23 system plan 2.

24 (4) Beginning September 1, 2005, the following member contribution
25 rates shall be charged:

26 (a) 2.25 percent for the school employees' retirement system plan
27 2; and

28 (b) 1.75 percent for the teachers' retirement system plan 2.

29 (5) The contribution rates in subsections (1) through (4) of this
30 section shall be collected through June 30, 2006, for the public
31 employees' retirement system, and August 31, 2006, for the school
32 employees' retirement system and the teachers' retirement system.

33 (6) Beginning July 1, 2006, the following employer contribution
34 rate shall be charged: 5.00 percent for the public employees'
35 retirement system, of which 1.75 percent shall be allocated to the
36 unfunded actuarial accrued liability for the public employees'
37 retirement system plan 1.

1 (7) Beginning September 1, 2006, the following employer
2 contribution rates shall be charged:

3 (a) 5.25 percent for the school employees' retirement system, of
4 which 1.75 percent shall be allocated to the unfunded actuarial accrued
5 liability for the public employees' retirement system plan 1; and

6 (b) 5.25 percent for the teachers' retirement system, of which 2.25
7 percent shall be allocated to the unfunded actuarial accrued liability
8 for the teachers' retirement system plan 1.

9 (8) Beginning July 1, 2006, the following member contribution rate
10 shall be charged: 3.25 percent for the public employees' retirement
11 system plan 2.

12 (9) Beginning September 1, 2006, the following member contribution
13 rates shall be charged:

14 (a) 3.50 percent for the school employees' retirement system plan
15 2; and

16 (b) 2.75 percent for the teachers' retirement system plan 2.

17 (10) The contribution rates in subsections (6) through (9) of this
18 section shall be collected through June 30, 2007, for the public
19 employees' retirement system, and August 31, 2007, for the school
20 employees' retirement system and the teachers' retirement system.

21 (11) Beginning July 1, 2007, the following employer contribution
22 rate shall be charged: 7.25 percent for the public employees'
23 retirement system, of which 2.50 percent shall be allocated to the
24 unfunded actuarial accrued liability of the public employees'
25 retirement system plan 1.

26 (12) Beginning September 1, 2007, the following employer
27 contribution rates shall be charged:

28 (a) 7.25 percent for the school employees' retirement system, of
29 which 2.50 percent shall be allocated to the unfunded actuarial accrued
30 liability of the public employees' retirement system plan 1; and

31 (b) 7.37 percent for the teachers' retirement system, of which 3.50
32 percent shall be allocated to the unfunded actuarial accrued liability
33 of the teachers' retirement system plan 1.

34 (13) Beginning July 1, 2007, the following member contribution rate
35 shall be charged: 4.75 percent for the public employees' retirement
36 system plan 2.

37 (14) Beginning September 1, 2007, the following member contribution
38 rates shall be charged:

(a) 4.75 percent for the school employees' retirement system plan 2; and

(b) 3.75 percent for the teachers' retirement system plan 2.

(15) The contribution rates in subsections (11) through (14) of this section shall be collected through June 30, 2008, for the public employees' retirement system, and August 31, 2008, for the school employees' retirement system and the teachers' retirement system.

(16) Beginning July 1, 2008, the following employer contribution rate shall be charged: 8.62 percent for the public employees' retirement system, of which 2.82 percent shall be allocated to the unfunded actuarial accrued liability of the public employees' retirement system plan 1.

(17) Beginning September 1, 2008, the following employer contribution rates shall be charged:

(a) 8.94 percent for the school employees' retirement system, of which 2.82 percent shall be allocated to the unfunded actuarial accrued liability of the public employees' retirement system plan 1; and

(b) 9.21 percent for the teachers' retirement system, of which 4.18 percent shall be allocated to the unfunded actuarial accrued liability of the teachers' retirement system plan 1.

(18) Beginning July 1, 2008, the following member contribution rate shall be charged: 5.80 percent for the public employees' retirement system plan 2.

(19) Beginning September 1, 2008, the following member contribution rates shall be charged:

(a) 6.12 percent for the school employees' retirement system plan 2; and

(b) 4.91 percent for the teachers' retirement system plan 2.

(20) The contribution rates in subsections (16) through (19) of this section shall be collected through June 30, 2009, for the public employees' retirement system, and August 31, 2009, for the school employees' retirement system and the teachers' retirement system.

NEW SECTION. **Sec. 18.** A new section is added to chapter 41.45 RCW to read as follows:

Beginning July 1, 2009, for the public employees' retirement system and the public safety employees' retirement system, and September 1, 2009, for the school employees' retirement system and the teachers'

1 retirement system, minimum basic employer and state contribution rates
2 and minimum required plan 2 member contribution rates are established.
3 In establishing these minimum rates, it is the intent of the
4 legislature to promote contribution rate stability over time. The
5 basic employer and state contribution rates and required plan 2 member
6 contribution rates as recommended by the pension funding council and
7 adopted by the legislature may exceed, but shall not drop below, these
8 minimum rates. Upon completion of each biennial actuarial valuation,
9 the pension funding council and the state actuary shall review the
10 appropriateness of the minimum contribution rates and the pension
11 funding council shall recommend to the legislature any adjustments as
12 may be needed due to material changes in benefits or actuarial
13 assumptions, methods, or experience.

14 (1) Beginning July 1, 2009, the following minimum employer
15 contribution rate shall be charged: 4.00 percent for the public
16 employees' retirement system.

17 (2) Beginning September 1, 2009, the following minimum employer
18 contribution rates shall be charged:

19 (a) 4.25 percent for the school employees' retirement system; and

20 (b) 5.00 percent for the teachers' retirement system.

21 (3) Beginning July 1, 2009, the following minimum member
22 contribution rate shall be charged: 4.00 percent for the public
23 employees' retirement system plan 2.

24 (4) Beginning September 1, 2009, the following minimum member
25 contribution rates shall be charged:

26 (a) 4.25 percent for the school employees' retirement system plan
27 2; and

28 (b) 5.00 percent for the teachers' retirement system plan 2.

29 (5) Beginning July 1, 2009, an additional minimum 2.75 percent is
30 added to the minimum employer contribution rate of 4.00 percent for the
31 public employees' retirement system until the actuarial value of assets
32 equals one hundred twenty-five percent of the actuarial accrued
33 liability for the public employees' retirement system plan 1 or June
34 30, 2024, whichever comes first.

35 (6) Beginning July 1, 2009, an additional minimum 2.75 percent is
36 added to the basic employer contribution rate for the public safety
37 employees' retirement system until the actuarial value of public
38 employees' retirement system plan 1 assets equals one hundred

1 twenty-five percent of the actuarial accrued liability for the public
2 employees' retirement system plan 1 or June 30, 2024, whichever comes
3 first.

4 (7) Beginning September 1, 2009, an additional minimum 2.75 percent
5 is added to the minimum employer contribution rate of 4.25 percent for
6 the school employees' retirement system until the actuarial value of
7 public employees' retirement system plan 1 assets equals one hundred
8 twenty-five percent of the actuarial accrued liability for the public
9 employees' retirement system plan 1 or June 30, 2024, whichever comes
10 first.

11 (8) Beginning September 1, 2009, an additional 5.75 percent is
12 added to the minimum employer contribution rate of 5.00 percent for the
13 teachers' retirement system until the actuarial value of assets equals
14 one hundred twenty-five percent of the actuarial accrued liability for
15 the teachers' retirement system plan 1 or June 30, 2024, whichever
16 comes first.

17 NEW SECTION. **Sec. 19.** RCW 41.45.054 is decodified, effective
18 September 1, 2005.

19 NEW SECTION. **Sec. 20.** Section 17 of this act is necessary for the
20 immediate preservation of the public peace, health, or safety, or
21 support of the state government and its existing public institutions,
22 and takes effect July 1, 2005.

23 NEW SECTION. **Sec. 21.** Section 18 of this act takes effect July 1,
24 2009.

25 **Sec. 22.** RCW 41.32.010 and 2003 c 31 s 1 are each amended to read
26 as follows:

27 As used in this chapter, unless a different meaning is plainly
28 required by the context:

29 (1)(a) "Accumulated contributions" for plan 1 members, means the
30 sum of all regular annuity contributions and, except for the purpose of
31 withdrawal at the time of retirement, any amount paid under RCW
32 41.50.165(2) with regular interest thereon.

33 (b) "Accumulated contributions" for plan 2 members, means the sum

1 of all contributions standing to the credit of a member in the member's
2 individual account, including any amount paid under RCW 41.50.165(2),
3 together with the regular interest thereon.

4 (2) "Actuarial equivalent" means a benefit of equal value when
5 computed upon the basis of such mortality tables and regulations as
6 shall be adopted by the director and regular interest.

7 (3) "Annuity" means the moneys payable per year during life by
8 reason of accumulated contributions of a member.

9 (4) "Member reserve" means the fund in which all of the accumulated
10 contributions of members are held.

11 (5)(a) "Beneficiary" for plan 1 members, means any person in
12 receipt of a retirement allowance or other benefit provided by this
13 chapter.

14 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
15 in receipt of a retirement allowance or other benefit provided by this
16 chapter resulting from service rendered to an employer by another
17 person.

18 (6) "Contract" means any agreement for service and compensation
19 between a member and an employer.

20 (7) "Creditable service" means membership service plus prior
21 service for which credit is allowable. This subsection shall apply
22 only to plan 1 members.

23 (8) "Dependent" means receiving one-half or more of support from a
24 member.

25 (9) "Disability allowance" means monthly payments during
26 disability. This subsection shall apply only to plan 1 members.

27 (10)(a) "Earnable compensation" for plan 1 members, means:

28 (i) All salaries and wages paid by an employer to an employee
29 member of the retirement system for personal services rendered during
30 a fiscal year. In all cases where compensation includes maintenance
31 the employer shall fix the value of that part of the compensation not
32 paid in money.

33 (ii) For an employee member of the retirement system teaching in an
34 extended school year program, two consecutive extended school years, as
35 defined by the employer school district, may be used as the annual
36 period for determining earnable compensation in lieu of the two fiscal
37 years.

1 (iii) "Earnable compensation" for plan 1 members also includes the
2 following actual or imputed payments, which are not paid for personal
3 services:

4 (A) Retroactive payments to an individual by an employer on
5 reinstatement of the employee in a position, or payments by an employer
6 to an individual in lieu of reinstatement in a position which are
7 awarded or granted as the equivalent of the salary or wages which the
8 individual would have earned during a payroll period shall be
9 considered earnable compensation and the individual shall receive the
10 equivalent service credit.

11 (B) If a leave of absence, without pay, is taken by a member for
12 the purpose of serving as a member of the state legislature, and such
13 member has served in the legislature five or more years, the salary
14 which would have been received for the position from which the leave of
15 absence was taken shall be considered as compensation earnable if the
16 employee's contribution thereon is paid by the employee. In addition,
17 where a member has been a member of the state legislature for five or
18 more years, earnable compensation for the member's two highest
19 compensated consecutive years of service shall include a sum not to
20 exceed thirty-six hundred dollars for each of such two consecutive
21 years, regardless of whether or not legislative service was rendered
22 during those two years.

23 (iv) For members employed less than full time under written
24 contract with a school district, or community college district, in an
25 instructional position, for which the member receives service credit of
26 less than one year in all of the years used to determine the earnable
27 compensation used for computing benefits due under RCW 41.32.497,
28 41.32.498, and 41.32.520, the member may elect to have earnable
29 compensation defined as provided in RCW 41.32.345. For the purposes of
30 this subsection, the term "instructional position" means a position in
31 which more than seventy-five percent of the member's time is spent as
32 a classroom instructor (including office hours), a librarian, or a
33 counselor. Earnable compensation shall be so defined only for the
34 purpose of the calculation of retirement benefits and only as necessary
35 to insure that members who receive fractional service credit under RCW
36 41.32.270 receive benefits proportional to those received by members
37 who have received full-time service credit.

38 (v) "Earnable compensation" does not include:

1 (A) Remuneration for unused sick leave authorized under RCW
2 41.04.340, 28A.400.210, or 28A.310.490;

3 (B) Remuneration for unused annual leave in excess of thirty days
4 as authorized by RCW 43.01.044 and 43.01.041.

5 (b) "Earnable compensation" for plan 2 and plan 3 members, means
6 salaries or wages earned by a member during a payroll period for
7 personal services, including overtime payments, and shall include wages
8 and salaries deferred under provisions established pursuant to sections
9 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
10 shall exclude lump sum payments for deferred annual sick leave, unused
11 accumulated vacation, unused accumulated annual leave, or any form of
12 severance pay.

13 "Earnable compensation" for plan 2 and plan 3 members also includes
14 the following actual or imputed payments which, except in the case of
15 (b)(ii)(B) of this subsection, are not paid for personal services:

16 (i) Retroactive payments to an individual by an employer on
17 reinstatement of the employee in a position or payments by an employer
18 to an individual in lieu of reinstatement in a position which are
19 awarded or granted as the equivalent of the salary or wages which the
20 individual would have earned during a payroll period shall be
21 considered earnable compensation, to the extent provided above, and the
22 individual shall receive the equivalent service credit.

23 (ii) In any year in which a member serves in the legislature the
24 member shall have the option of having such member's earnable
25 compensation be the greater of:

26 (A) The earnable compensation the member would have received had
27 such member not served in the legislature; or

28 (B) Such member's actual earnable compensation received for
29 teaching and legislative service combined. Any additional
30 contributions to the retirement system required because compensation
31 earnable under (b)(ii)(A) of this subsection is greater than
32 compensation earnable under (b)(ii)(B) of this subsection shall be paid
33 by the member for both member and employer contributions.

34 (11) "Employer" means the state of Washington, the school district,
35 or any agency of the state of Washington by which the member is paid.

36 (12) "Fiscal year" means a year which begins July 1st and ends June
37 30th of the following year.

1 (13) "Former state fund" means the state retirement fund in
2 operation for teachers under chapter 187, Laws of 1923, as amended.

3 (14) "Local fund" means any of the local retirement funds for
4 teachers operated in any school district in accordance with the
5 provisions of chapter 163, Laws of 1917 as amended.

6 (15) "Member" means any teacher included in the membership of the
7 retirement system. Also, any other employee of the public schools who,
8 on July 1, 1947, had not elected to be exempt from membership and who,
9 prior to that date, had by an authorized payroll deduction, contributed
10 to the member reserve.

11 (16) "Membership service" means service rendered subsequent to the
12 first day of eligibility of a person to membership in the retirement
13 system: PROVIDED, That where a member is employed by two or more
14 employers the individual shall receive no more than one service credit
15 month during any calendar month in which multiple service is rendered.
16 The provisions of this subsection shall apply only to plan 1 members.

17 (17) "Pension" means the moneys payable per year during life from
18 the pension reserve.

19 (18) "Pension reserve" is a fund in which shall be accumulated an
20 actuarial reserve adequate to meet present and future pension
21 liabilities of the system and from which all pension obligations are to
22 be paid.

23 (19) "Prior service" means service rendered prior to the first date
24 of eligibility to membership in the retirement system for which credit
25 is allowable. The provisions of this subsection shall apply only to
26 plan 1 members.

27 (20) "Prior service contributions" means contributions made by a
28 member to secure credit for prior service. The provisions of this
29 subsection shall apply only to plan 1 members.

30 (21) "Public school" means any institution or activity operated by
31 the state of Washington or any instrumentality or political subdivision
32 thereof employing teachers, except the University of Washington and
33 Washington State University.

34 (22) "Regular contributions" means the amounts required to be
35 deducted from the compensation of a member and credited to the member's
36 individual account in the member reserve. This subsection shall apply
37 only to plan 1 members.

1 (23) "Regular interest" means such rate as the director may
2 determine.

3 (24)(a) "Retirement allowance" for plan 1 members, means monthly
4 payments based on the sum of annuity and pension, or any optional
5 benefits payable in lieu thereof.

6 (b) "Retirement allowance" for plan 2 and plan 3 members, means
7 monthly payments to a retiree or beneficiary as provided in this
8 chapter.

9 (25) "Retirement system" means the Washington state teachers'
10 retirement system.

11 (26)(a) "Service" for plan 1 members means the time during which a
12 member has been employed by an employer for compensation.

13 (i) If a member is employed by two or more employers the individual
14 shall receive no more than one service credit month during any calendar
15 month in which multiple service is rendered.

16 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
17 sick leave may be creditable as service solely for the purpose of
18 determining eligibility to retire under RCW 41.32.470.

19 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
20 state retirement system that covers teachers in public schools may be
21 applied solely for the purpose of determining eligibility to retire
22 under RCW 41.32.470.

23 (b) "Service" for plan 2 and plan 3 members, means periods of
24 employment by a member for one or more employers for which earnable
25 compensation is earned subject to the following conditions:

26 (i) A member employed in an eligible position or as a substitute
27 shall receive one service credit month for each month of September
28 through August of the following year if he or she earns earnable
29 compensation for eight hundred ten or more hours during that period and
30 is employed during nine of those months, except that a member may not
31 receive credit for any period prior to the member's employment in an
32 eligible position except as provided in RCW 41.32.812 and 41.50.132;

33 (ii) If a member is employed either in an eligible position or as
34 a substitute teacher for nine months of the twelve month period between
35 September through August of the following year but earns earnable
36 compensation for less than eight hundred ten hours but for at least six
37 hundred thirty hours, he or she will receive one-half of a service
38 credit month for each month of the twelve month period;

1 (iii) All other members in an eligible position or as a substitute
2 teacher shall receive service credit as follows:

3 (A) A service credit month is earned in those calendar months where
4 earnable compensation is earned for ninety or more hours;

5 (B) A half-service credit month is earned in those calendar months
6 where earnable compensation is earned for at least seventy hours but
7 less than ninety hours; and

8 (C) A quarter-service credit month is earned in those calendar
9 months where earnable compensation is earned for less than seventy
10 hours.

11 (iv) Any person who is a member of the teachers' retirement system
12 and who is elected or appointed to a state elective position may
13 continue to be a member of the retirement system and continue to
14 receive a service credit month for each of the months in a state
15 elective position by making the required member contributions.

16 (v) When an individual is employed by two or more employers the
17 individual shall only receive one month's service credit during any
18 calendar month in which multiple service for ninety or more hours is
19 rendered.

20 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
21 sick leave may be creditable as service solely for the purpose of
22 determining eligibility to retire under RCW 41.32.470. For purposes of
23 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
24 to two service credit months. Use of less than forty-five days of sick
25 leave is creditable as allowed under this subsection as follows:

26 (A) Less than eleven days equals one-quarter service credit month;

27 (B) Eleven or more days but less than twenty-two days equals one-
28 half service credit month;

29 (C) Twenty-two days equals one service credit month;

30 (D) More than twenty-two days but less than thirty-three days
31 equals one and one-quarter service credit month;

32 (E) Thirty-three or more days but less than forty-five days equals
33 one and one-half service credit month.

34 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
35 state retirement system that covers teachers in public schools may be
36 applied solely for the purpose of determining eligibility to retire
37 under RCW 41.32.470.

(viii) The department shall adopt rules implementing this subsection.

(27) "Service credit year" means an accumulation of months of service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

1 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
2 through September 1, 1991, means a position which normally requires two
3 or more uninterrupted months of creditable service during September
4 through August of the following year.

5 (b) "Eligible position" for plan 2 and plan 3 on and after
6 September 1, 1991, means a position that, as defined by the employer,
7 normally requires five or more months of at least seventy hours of
8 earnable compensation during September through August of the following
9 year.

10 (c) For purposes of this chapter an employer shall not define
11 "position" in such a manner that an employee's monthly work for that
12 employer is divided into more than one position.

13 (d) The elected position of the superintendent of public
14 instruction is an eligible position.

15 (38) "Plan 1" means the teachers' retirement system, plan 1
16 providing the benefits and funding provisions covering persons who
17 first became members of the system prior to October 1, 1977.

18 (39) "Plan 2" means the teachers' retirement system, plan 2
19 providing the benefits and funding provisions covering persons who
20 first became members of the system on and after October 1, 1977, and
21 prior to July 1, 1996.

22 (40) "Plan 3" means the teachers' retirement system, plan 3
23 providing the benefits and funding provisions covering persons who
24 first become members of the system on and after July 1, 1996, or who
25 transfer under RCW 41.32.817.

26 (41) "Index" means, for any calendar year, that year's annual
27 average consumer price index, Seattle, Washington area, for urban wage
28 earners and clerical workers, all items compiled by the bureau of labor
29 statistics, United States department of labor.

30 (42) "Index A" means the index for the year prior to the
31 determination of a postretirement adjustment.

32 (43) "Index B" means the index for the year prior to index A.

33 (44) "Index year" means the earliest calendar year in which the
34 index is more than sixty percent of index A.

35 (45) "Adjustment ratio" means the value of index A divided by index
36 B.

37 (46) "Annual increase" means(~~(, initially, fifty-nine)~~) one dollar

1 and forty-five cents per month per year of service which amount shall
2 be increased each July 1st by three percent, rounded to the nearest
3 cent.

4 (47) "Member account" or "member's account" for purposes of plan 3
5 means the sum of the contributions and earnings on behalf of the member
6 in the defined contribution portion of plan 3.

7 (48) "Separation from service or employment" occurs when a person
8 has terminated all employment with an employer.

9 (49) "Employed" or "employee" means a person who is providing
10 services for compensation to an employer, unless the person is free
11 from the employer's direction and control over the performance of work.
12 The department shall adopt rules and interpret this subsection
13 consistent with common law.

14 **Sec. 23.** RCW 41.32.4851 and 2004 c 85 s 1 are each amended to read
15 as follows:

16 (1) No one who becomes a beneficiary after June 30, 1995, shall
17 receive a monthly retirement allowance of less than twenty-four dollars
18 and twenty-two cents times the number of years of service creditable to
19 the person whose service is the basis of such retirement allowance.

20 (2) If the retirement allowance payable was adjusted at the time
21 benefit payments to the beneficiary commenced, the minimum allowance
22 provided in this section shall be adjusted in a manner consistent with
23 that adjustment.

24 (3) Beginning July 1, 1996, the minimum benefit set forth in
25 subsection (1) of this section shall be adjusted annually by the annual
26 increase.

27 (4) Those receiving a temporary disability benefit under RCW
28 41.32.540 shall not be eligible for the benefit provided by this
29 section.

30 (5) Beginning July 1, 2004, the minimum benefit set forth in
31 subsection (1) of this section, prior to adjustments set forth in
32 subsection (2) of this section, for a beneficiary with at least twenty-
33 five years of service and who has been retired at least twenty years
34 shall be one thousand dollars per month(~~(. The minimum benefit in this~~
35 ~~subsection shall not be adjusted by the annual increase provided in~~
36 ~~subsection (3) of this section)) which shall be increased each July 1st
37 by three percent, rounded to the nearest cent.~~

1 (6) Beginning July 1, 2005, the minimum benefit set forth in
2 subsection (1) of this section, prior to adjustments set forth in
3 subsection (2) of this section, for a beneficiary with at least twenty
4 years of service and who has been retired at least twenty-five years
5 shall be one thousand dollars per month which shall be increased each
6 July 1st by three percent, rounded to the nearest cent.

7 **Sec. 24.** RCW 41.32.489 and 1995 c 345 s 2 are each amended to read
8 as follows:

9 (1) Beginning July 1, 1995, and annually thereafter, the retirement
10 allowance of a person meeting the requirements of this section shall be
11 increased by the annual increase amount.

12 (2) The following persons shall be eligible for the benefit
13 provided in subsection (1) of this section:

14 (a) A beneficiary who has received a retirement allowance for at
15 least one year by July 1st in the calendar year in which the annual
16 increase is given and has attained at least age sixty-six by (~~July~~
17 ~~1st~~) December 31st in the calendar year in which the annual increase
18 is given; or

19 (b) A beneficiary whose retirement allowance is lower than the
20 minimum benefit provided under RCW 41.32.4851.

21 (3) The following persons shall also be eligible for the benefit
22 provided in subsection (1) of this section:

23 (a) A beneficiary receiving the minimum benefit on June 30, 1995,
24 under RCW 41.32.485; or

25 (b) A recipient of a survivor benefit on June 30, 1995, which has
26 been increased by RCW 41.32.575.

27 (4) If otherwise eligible, those receiving an annual adjustment
28 under RCW 41.32.530(1)(d) shall be eligible for the annual increase
29 adjustment in addition to the benefit that would have been received
30 absent this section.

31 (5) Those receiving a temporary disability benefit under RCW
32 41.32.540 shall not be eligible for the benefit provided by this
33 section.

34 (6) The legislature reserves the right to amend or repeal this
35 section in the future and no member or beneficiary has a contractual
36 right to receive this postretirement adjustment not granted prior to
37 that time.

1 **Sec. 25.** RCW 41.40.010 and 2003 c 412 s 4 are each amended to read
2 as follows:

3 As used in this chapter, unless a different meaning is plainly
4 required by the context:

5 (1) "Retirement system" means the public employees' retirement
6 system provided for in this chapter.

7 (2) "Department" means the department of retirement systems created
8 in chapter 41.50 RCW.

9 (3) "State treasurer" means the treasurer of the state of
10 Washington.

11 (4)(a) "Employer" for plan 1 members, means every branch,
12 department, agency, commission, board, and office of the state, any
13 political subdivision or association of political subdivisions of the
14 state admitted into the retirement system, and legal entities
15 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the
16 term shall also include any labor guild, association, or organization
17 the membership of a local lodge or division of which is comprised of at
18 least forty percent employees of an employer (other than such labor
19 guild, association, or organization) within this chapter. The term may
20 also include any city of the first class that has its own retirement
21 system.

22 (b) "Employer" for plan 2 and plan 3 members, means every branch,
23 department, agency, commission, board, and office of the state, and any
24 political subdivision and municipal corporation of the state admitted
25 into the retirement system, including public agencies created pursuant
26 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August
27 31, 2000, school districts and educational service districts will no
28 longer be employers for the public employees' retirement system plan 2.

29 (5) "Member" means any employee included in the membership of the
30 retirement system, as provided for in RCW 41.40.023. RCW 41.26.045
31 does not prohibit a person otherwise eligible for membership in the
32 retirement system from establishing such membership effective when he
33 or she first entered an eligible position.

34 (6) "Original member" of this retirement system means:

35 (a) Any person who became a member of the system prior to April 1,
36 1949;

37 (b) Any person who becomes a member through the admission of an

1 employer into the retirement system on and after April 1, 1949, and
2 prior to April 1, 1951;

3 (c) Any person who first becomes a member by securing employment
4 with an employer prior to April 1, 1951, provided the member has
5 rendered at least one or more years of service to any employer prior to
6 October 1, 1947;

7 (d) Any person who first becomes a member through the admission of
8 an employer into the retirement system on or after April 1, 1951,
9 provided, such person has been in the regular employ of the employer
10 for at least six months of the twelve-month period preceding the said
11 admission date;

12 (e) Any member who has restored all contributions that may have
13 been withdrawn as provided by RCW 41.40.150 and who on the effective
14 date of the individual's retirement becomes entitled to be credited
15 with ten years or more of membership service except that the provisions
16 relating to the minimum amount of retirement allowance for the member
17 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
18 apply to the member;

19 (f) Any member who has been a contributor under the system for two
20 or more years and who has restored all contributions that may have been
21 withdrawn as provided by RCW 41.40.150 and who on the effective date of
22 the individual's retirement has rendered five or more years of service
23 for the state or any political subdivision prior to the time of the
24 admission of the employer into the system; except that the provisions
25 relating to the minimum amount of retirement allowance for the member
26 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
27 apply to the member.

28 (7) "New member" means a person who becomes a member on or after
29 April 1, 1949, except as otherwise provided in this section.

30 (8)(a) "Compensation earnable" for plan 1 members, means salaries
31 or wages earned during a payroll period for personal services and where
32 the compensation is not all paid in money, maintenance compensation
33 shall be included upon the basis of the schedules established by the
34 member's employer.

35 (i) "Compensation earnable" for plan 1 members also includes the
36 following actual or imputed payments, which are not paid for personal
37 services:

1 (A) Retroactive payments to an individual by an employer on
2 reinstatement of the employee in a position, or payments by an employer
3 to an individual in lieu of reinstatement in a position which are
4 awarded or granted as the equivalent of the salary or wage which the
5 individual would have earned during a payroll period shall be
6 considered compensation earnable and the individual shall receive the
7 equivalent service credit;

8 (B) If a leave of absence is taken by an individual for the purpose
9 of serving in the state legislature, the salary which would have been
10 received for the position from which the leave of absence was taken,
11 shall be considered as compensation earnable if the employee's
12 contribution is paid by the employee and the employer's contribution is
13 paid by the employer or employee;

14 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
15 72.09.240;

16 (D) Compensation that a member would have received but for a
17 disability occurring in the line of duty only as authorized by RCW
18 41.40.038;

19 (E) Compensation that a member receives due to participation in the
20 leave sharing program only as authorized by RCW 41.04.650 through
21 41.04.670; and

22 (F) Compensation that a member receives for being in standby
23 status. For the purposes of this section, a member is in standby
24 status when not being paid for time actually worked and the employer
25 requires the member to be prepared to report immediately for work, if
26 the need arises, although the need may not arise.

27 (ii) "Compensation earnable" does not include:

28 (A) Remuneration for unused sick leave authorized under RCW
29 41.04.340, 28A.400.210, or 28A.310.490;

30 (B) Remuneration for unused annual leave in excess of thirty days
31 as authorized by RCW 43.01.044 and 43.01.041.

32 (b) "Compensation earnable" for plan 2 and plan 3 members, means
33 salaries or wages earned by a member during a payroll period for
34 personal services, including overtime payments, and shall include wages
35 and salaries deferred under provisions established pursuant to sections
36 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
37 shall exclude nonmoney maintenance compensation and lump sum or other

1 payments for deferred annual sick leave, unused accumulated vacation,
2 unused accumulated annual leave, or any form of severance pay.

3 "Compensation earnable" for plan 2 and plan 3 members also includes
4 the following actual or imputed payments, which are not paid for
5 personal services:

6 (i) Retroactive payments to an individual by an employer on
7 reinstatement of the employee in a position, or payments by an employer
8 to an individual in lieu of reinstatement in a position which are
9 awarded or granted as the equivalent of the salary or wage which the
10 individual would have earned during a payroll period shall be
11 considered compensation earnable to the extent provided above, and the
12 individual shall receive the equivalent service credit;

13 (ii) In any year in which a member serves in the legislature, the
14 member shall have the option of having such member's compensation
15 earnable be the greater of:

16 (A) The compensation earnable the member would have received had
17 such member not served in the legislature; or

18 (B) Such member's actual compensation earnable received for
19 nonlegislative public employment and legislative service combined. Any
20 additional contributions to the retirement system required because
21 compensation earnable under (b)(ii)(A) of this subsection is greater
22 than compensation earnable under (b)(ii)(B) of this subsection shall be
23 paid by the member for both member and employer contributions;

24 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
25 and 72.09.240;

26 (iv) Compensation that a member would have received but for a
27 disability occurring in the line of duty only as authorized by RCW
28 41.40.038;

29 (v) Compensation that a member receives due to participation in the
30 leave sharing program only as authorized by RCW 41.04.650 through
31 41.04.670; and

32 (vi) Compensation that a member receives for being in standby
33 status. For the purposes of this section, a member is in standby
34 status when not being paid for time actually worked and the employer
35 requires the member to be prepared to report immediately for work, if
36 the need arises, although the need may not arise.

37 (9)(a) "Service" for plan 1 members, except as provided in RCW
38 41.40.088, means periods of employment in an eligible position or

positions for one or more employers rendered to any employer for which compensation is paid, and includes time spent in office as an elected or appointed official of an employer. Compensation earnable earned in full time work for seventy hours or more in any given calendar month shall constitute one service credit month except as provided in RCW 41.40.088. Compensation earnable earned for less than seventy hours in any calendar month shall constitute one-quarter service credit month of service except as provided in RCW 41.40.088. Only service credit months and one-quarter service credit months shall be counted in the computation of any retirement allowance or other benefit provided for in this chapter. Any fraction of a year of service shall be taken into account in the computation of such retirement allowance or benefits. Time spent in standby status, whether compensated or not, is not service.

(i) Service by a state employee officially assigned by the state on a temporary basis to assist another public agency, shall be considered as service as a state employee: PROVIDED, That service to any other public agency shall not be considered service as a state employee if such service has been used to establish benefits in any other public retirement system.

(ii) An individual shall receive no more than a total of twelve service credit months of service during any calendar year. If an individual is employed in an eligible position by one or more employers the individual shall receive no more than one service credit month during any calendar month in which multiple service for seventy or more hours is rendered.

(iii) A school district employee may count up to forty-five days of sick leave as creditable service solely for the purpose of determining eligibility to retire under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW 28A.400.300 is equal to two service credit months. Use of less than forty-five days of sick leave is creditable as allowed under this subsection as follows:

(A) Less than twenty-two days equals one-quarter service credit month;

(B) Twenty-two days equals one service credit month;

(C) More than twenty-two days but less than forty-five days equals one and one-quarter service credit month.

1 (b) "Service" for plan 2 and plan 3 members, means periods of
2 employment by a member in an eligible position or positions for one or
3 more employers for which compensation earnable is paid. Compensation
4 earnable earned for ninety or more hours in any calendar month shall
5 constitute one service credit month except as provided in RCW
6 41.40.088. Compensation earnable earned for at least seventy hours but
7 less than ninety hours in any calendar month shall constitute one-half
8 service credit month of service. Compensation earnable earned for less
9 than seventy hours in any calendar month shall constitute one-quarter
10 service credit month of service. Time spent in standby status, whether
11 compensated or not, is not service.

12 Any fraction of a year of service shall be taken into account in
13 the computation of such retirement allowance or benefits.

14 (i) Service in any state elective position shall be deemed to be
15 full time service, except that persons serving in state elective
16 positions who are members of the Washington school employees'
17 retirement system, teachers' retirement system, or law enforcement
18 officers' and fire fighters' retirement system at the time of election
19 or appointment to such position may elect to continue membership in the
20 Washington school employees' retirement system, teachers' retirement
21 system, or law enforcement officers' and fire fighters' retirement
22 system.

23 (ii) A member shall receive a total of not more than twelve service
24 credit months of service for such calendar year. If an individual is
25 employed in an eligible position by one or more employers the
26 individual shall receive no more than one service credit month during
27 any calendar month in which multiple service for ninety or more hours
28 is rendered.

29 (iii) Up to forty-five days of sick leave may be creditable as
30 service solely for the purpose of determining eligibility to retire
31 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
32 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
33 to two service credit months. Use of less than forty-five days of sick
34 leave is creditable as allowed under this subsection as follows:

35 (A) Less than eleven days equals one-quarter service credit month;

36 (B) Eleven or more days but less than twenty-two days equals one-
37 half service credit month;

38 (C) Twenty-two days equals one service credit month;

1 (D) More than twenty-two days but less than thirty-three days
2 equals one and one-quarter service credit month;

3 (E) Thirty-three or more days but less than forty-five days equals
4 one and one-half service credit month.

5 (10) "Service credit year" means an accumulation of months of
6 service credit which is equal to one when divided by twelve.

7 (11) "Service credit month" means a month or an accumulation of
8 months of service credit which is equal to one.

9 (12) "Prior service" means all service of an original member
10 rendered to any employer prior to October 1, 1947.

11 (13) "Membership service" means:

12 (a) All service rendered, as a member, after October 1, 1947;

13 (b) All service after October 1, 1947, to any employer prior to the
14 time of its admission into the retirement system for which member and
15 employer contributions, plus interest as required by RCW 41.50.125,
16 have been paid under RCW 41.40.056 or 41.40.057;

17 (c) Service not to exceed six consecutive months of probationary
18 service rendered after April 1, 1949, and prior to becoming a member,
19 in the case of any member, upon payment in full by such member of the
20 total amount of the employer's contribution to the retirement fund
21 which would have been required under the law in effect when such
22 probationary service was rendered if the member had been a member
23 during such period, except that the amount of the employer's
24 contribution shall be calculated by the director based on the first
25 month's compensation earnable as a member;

26 (d) Service not to exceed six consecutive months of probationary
27 service, rendered after October 1, 1947, and before April 1, 1949, and
28 prior to becoming a member, in the case of any member, upon payment in
29 full by such member of five percent of such member's salary during said
30 period of probationary service, except that the amount of the
31 employer's contribution shall be calculated by the director based on
32 the first month's compensation earnable as a member.

33 (14)(a) "Beneficiary" for plan 1 members, means any person in
34 receipt of a retirement allowance, pension or other benefit provided by
35 this chapter.

36 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
37 in receipt of a retirement allowance or other benefit provided by this

chapter resulting from service rendered to an employer by another person.

(15) "Regular interest" means such rate as the director may determine.

(16) "Accumulated contributions" means the sum of all contributions standing to the credit of a member in the member's individual account, including any amount paid under RCW 41.50.165(2), together with the regular interest thereon.

(17)(a) "Average final compensation" for plan 1 members, means the annual average of the greatest compensation earnable by a member during any consecutive two year period of service credit months for which service credit is allowed; or if the member has less than two years of service credit months then the annual average compensation earnable during the total years of service for which service credit is allowed.

(b) "Average final compensation" for plan 2 and plan 3 members, means the member's average compensation earnable of the highest consecutive sixty months of service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.40.710(2).

(18) "Final compensation" means the annual rate of compensation earnable by a member at the time of termination of employment.

(19) "Annuity" means payments for life derived from accumulated contributions of a member. All annuities shall be paid in monthly installments.

(20) "Pension" means payments for life derived from contributions made by the employer. All pensions shall be paid in monthly installments.

(21) "Retirement allowance" means the sum of the annuity and the pension.

(22) "Employee" or "employed" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

(23) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such mortality and other tables as may be adopted by the director.

1 (24) "Retirement" means withdrawal from active service with a
2 retirement allowance as provided by this chapter.

3 (25) "Eligible position" means:

4 (a) Any position that, as defined by the employer, normally
5 requires five or more months of service a year for which regular
6 compensation for at least seventy hours is earned by the occupant
7 thereof. For purposes of this chapter an employer shall not define
8 "position" in such a manner that an employee's monthly work for that
9 employer is divided into more than one position;

10 (b) Any position occupied by an elected official or person
11 appointed directly by the governor, or appointed by the chief justice
12 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which
13 compensation is paid.

14 (26) "Ineligible position" means any position which does not
15 conform with the requirements set forth in subsection (25) of this
16 section.

17 (27) "Leave of absence" means the period of time a member is
18 authorized by the employer to be absent from service without being
19 separated from membership.

20 (28) "Totally incapacitated for duty" means total inability to
21 perform the duties of a member's employment or office or any other work
22 for which the member is qualified by training or experience.

23 (29) "Retiree" means any person who has begun accruing a retirement
24 allowance or other benefit provided by this chapter resulting from
25 service rendered to an employer while a member.

26 (30) "Director" means the director of the department.

27 (31) "State elective position" means any position held by any
28 person elected or appointed to statewide office or elected or appointed
29 as a member of the legislature.

30 (32) "State actuary" or "actuary" means the person appointed
31 pursuant to RCW 44.44.010(2).

32 (33) "Plan 1" means the public employees' retirement system, plan
33 1 providing the benefits and funding provisions covering persons who
34 first became members of the system prior to October 1, 1977.

35 (34) "Plan 2" means the public employees' retirement system, plan
36 2 providing the benefits and funding provisions covering persons who
37 first became members of the system on and after October 1, 1977, and
38 are not included in plan 3.

(35) "Plan 3" means the public employees' retirement system, plan 3 providing the benefits and funding provisions covering persons who:

(a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means(~~(, initially, fifty-nine)~~) one dollar and forty-five cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 26. RCW 41.40.010 and 2004 c 242 s 53 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

1 (1) "Retirement system" means the public employees' retirement
2 system provided for in this chapter.

3 (2) "Department" means the department of retirement systems created
4 in chapter 41.50 RCW.

5 (3) "State treasurer" means the treasurer of the state of
6 Washington.

7 (4)(a) "Employer" for plan 1 members, means every branch,
8 department, agency, commission, board, and office of the state, any
9 political subdivision or association of political subdivisions of the
10 state admitted into the retirement system, and legal entities
11 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the
12 term shall also include any labor guild, association, or organization
13 the membership of a local lodge or division of which is comprised of at
14 least forty percent employees of an employer (other than such labor
15 guild, association, or organization) within this chapter. The term may
16 also include any city of the first class that has its own retirement
17 system.

18 (b) "Employer" for plan 2 and plan 3 members, means every branch,
19 department, agency, commission, board, and office of the state, and any
20 political subdivision and municipal corporation of the state admitted
21 into the retirement system, including public agencies created pursuant
22 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August
23 31, 2000, school districts and educational service districts will no
24 longer be employers for the public employees' retirement system plan 2.

25 (5) "Member" means any employee included in the membership of the
26 retirement system, as provided for in RCW 41.40.023. RCW 41.26.045
27 does not prohibit a person otherwise eligible for membership in the
28 retirement system from establishing such membership effective when he
29 or she first entered an eligible position.

30 (6) "Original member" of this retirement system means:

31 (a) Any person who became a member of the system prior to April 1,
32 1949;

33 (b) Any person who becomes a member through the admission of an
34 employer into the retirement system on and after April 1, 1949, and
35 prior to April 1, 1951;

36 (c) Any person who first becomes a member by securing employment
37 with an employer prior to April 1, 1951, provided the member has

1 rendered at least one or more years of service to any employer prior to
2 October 1, 1947;

3 (d) Any person who first becomes a member through the admission of
4 an employer into the retirement system on or after April 1, 1951,
5 provided, such person has been in the regular employ of the employer
6 for at least six months of the twelve-month period preceding the said
7 admission date;

8 (e) Any member who has restored all contributions that may have
9 been withdrawn as provided by RCW 41.40.150 and who on the effective
10 date of the individual's retirement becomes entitled to be credited
11 with ten years or more of membership service except that the provisions
12 relating to the minimum amount of retirement allowance for the member
13 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
14 apply to the member;

15 (f) Any member who has been a contributor under the system for two
16 or more years and who has restored all contributions that may have been
17 withdrawn as provided by RCW 41.40.150 and who on the effective date of
18 the individual's retirement has rendered five or more years of service
19 for the state or any political subdivision prior to the time of the
20 admission of the employer into the system; except that the provisions
21 relating to the minimum amount of retirement allowance for the member
22 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
23 apply to the member.

24 (7) "New member" means a person who becomes a member on or after
25 April 1, 1949, except as otherwise provided in this section.

26 (8)(a) "Compensation earnable" for plan 1 members, means salaries
27 or wages earned during a payroll period for personal services and where
28 the compensation is not all paid in money, maintenance compensation
29 shall be included upon the basis of the schedules established by the
30 member's employer.

31 (i) "Compensation earnable" for plan 1 members also includes the
32 following actual or imputed payments, which are not paid for personal
33 services:

34 (A) Retroactive payments to an individual by an employer on
35 reinstatement of the employee in a position, or payments by an employer
36 to an individual in lieu of reinstatement in a position which are
37 awarded or granted as the equivalent of the salary or wage which the

1 individual would have earned during a payroll period shall be
2 considered compensation earnable and the individual shall receive the
3 equivalent service credit;

4 (B) If a leave of absence is taken by an individual for the purpose
5 of serving in the state legislature, the salary which would have been
6 received for the position from which the leave of absence was taken,
7 shall be considered as compensation earnable if the employee's
8 contribution is paid by the employee and the employer's contribution is
9 paid by the employer or employee;

10 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
11 72.09.240;

12 (D) Compensation that a member would have received but for a
13 disability occurring in the line of duty only as authorized by RCW
14 41.40.038;

15 (E) Compensation that a member receives due to participation in the
16 leave sharing program only as authorized by RCW 41.04.650 through
17 41.04.670; and

18 (F) Compensation that a member receives for being in standby
19 status. For the purposes of this section, a member is in standby
20 status when not being paid for time actually worked and the employer
21 requires the member to be prepared to report immediately for work, if
22 the need arises, although the need may not arise.

23 (ii) "Compensation earnable" does not include:

24 (A) Remuneration for unused sick leave authorized under RCW
25 41.04.340, 28A.400.210, or 28A.310.490;

26 (B) Remuneration for unused annual leave in excess of thirty days
27 as authorized by RCW 43.01.044 and 43.01.041.

28 (b) "Compensation earnable" for plan 2 and plan 3 members, means
29 salaries or wages earned by a member during a payroll period for
30 personal services, including overtime payments, and shall include wages
31 and salaries deferred under provisions established pursuant to sections
32 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
33 shall exclude nonmoney maintenance compensation and lump sum or other
34 payments for deferred annual sick leave, unused accumulated vacation,
35 unused accumulated annual leave, or any form of severance pay.

36 "Compensation earnable" for plan 2 and plan 3 members also includes
37 the following actual or imputed payments, which are not paid for
38 personal services:

1 (i) Retroactive payments to an individual by an employer on
2 reinstatement of the employee in a position, or payments by an employer
3 to an individual in lieu of reinstatement in a position which are
4 awarded or granted as the equivalent of the salary or wage which the
5 individual would have earned during a payroll period shall be
6 considered compensation earnable to the extent provided above, and the
7 individual shall receive the equivalent service credit;

8 (ii) In any year in which a member serves in the legislature, the
9 member shall have the option of having such member's compensation
10 earnable be the greater of:

11 (A) The compensation earnable the member would have received had
12 such member not served in the legislature; or

13 (B) Such member's actual compensation earnable received for
14 nonlegislative public employment and legislative service combined. Any
15 additional contributions to the retirement system required because
16 compensation earnable under (b)(ii)(A) of this subsection is greater
17 than compensation earnable under (b)(ii)(B) of this subsection shall be
18 paid by the member for both member and employer contributions;

19 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
20 and 72.09.240;

21 (iv) Compensation that a member would have received but for a
22 disability occurring in the line of duty only as authorized by RCW
23 41.40.038;

24 (v) Compensation that a member receives due to participation in the
25 leave sharing program only as authorized by RCW 41.04.650 through
26 41.04.670; and

27 (vi) Compensation that a member receives for being in standby
28 status. For the purposes of this section, a member is in standby
29 status when not being paid for time actually worked and the employer
30 requires the member to be prepared to report immediately for work, if
31 the need arises, although the need may not arise.

32 (9)(a) "Service" for plan 1 members, except as provided in RCW
33 41.40.088, means periods of employment in an eligible position or
34 positions for one or more employers rendered to any employer for which
35 compensation is paid, and includes time spent in office as an elected
36 or appointed official of an employer. Compensation earnable earned in
37 full time work for seventy hours or more in any given calendar month
38 shall constitute one service credit month except as provided in RCW

1 41.40.088. Compensation earnable earned for less than seventy hours in
2 any calendar month shall constitute one-quarter service credit month of
3 service except as provided in RCW 41.40.088. Only service credit
4 months and one-quarter service credit months shall be counted in the
5 computation of any retirement allowance or other benefit provided for
6 in this chapter. Any fraction of a year of service shall be taken into
7 account in the computation of such retirement allowance or benefits.
8 Time spent in standby status, whether compensated or not, is not
9 service.

10 (i) Service by a state employee officially assigned by the state on
11 a temporary basis to assist another public agency, shall be considered
12 as service as a state employee: PROVIDED, That service to any other
13 public agency shall not be considered service as a state employee if
14 such service has been used to establish benefits in any other public
15 retirement system.

16 (ii) An individual shall receive no more than a total of twelve
17 service credit months of service during any calendar year. If an
18 individual is employed in an eligible position by one or more employers
19 the individual shall receive no more than one service credit month
20 during any calendar month in which multiple service for seventy or more
21 hours is rendered.

22 (iii) A school district employee may count up to forty-five days of
23 sick leave as creditable service solely for the purpose of determining
24 eligibility to retire under RCW 41.40.180 as authorized by RCW
25 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW
26 28A.400.300 is equal to two service credit months. Use of less than
27 forty-five days of sick leave is creditable as allowed under this
28 subsection as follows:

29 (A) Less than twenty-two days equals one-quarter service credit
30 month;

31 (B) Twenty-two days equals one service credit month;

32 (C) More than twenty-two days but less than forty-five days equals
33 one and one-quarter service credit month.

34 (b) "Service" for plan 2 and plan 3 members, means periods of
35 employment by a member in an eligible position or positions for one or
36 more employers for which compensation earnable is paid. Compensation
37 earnable earned for ninety or more hours in any calendar month shall
38 constitute one service credit month except as provided in RCW

1 41.40.088. Compensation earnable earned for at least seventy hours but
2 less than ninety hours in any calendar month shall constitute one-half
3 service credit month of service. Compensation earnable earned for less
4 than seventy hours in any calendar month shall constitute one-quarter
5 service credit month of service. Time spent in standby status, whether
6 compensated or not, is not service.

7 Any fraction of a year of service shall be taken into account in
8 the computation of such retirement allowance or benefits.

9 (i) Service in any state elective position shall be deemed to be
10 full time service, except that persons serving in state elective
11 positions who are members of the Washington school employees'
12 retirement system, teachers' retirement system, public safety
13 employees' retirement system, or law enforcement officers' and fire
14 fighters' retirement system at the time of election or appointment to
15 such position may elect to continue membership in the Washington school
16 employees' retirement system, teachers' retirement system, public
17 safety employees' retirement system, or law enforcement officers' and
18 fire fighters' retirement system.

19 (ii) A member shall receive a total of not more than twelve service
20 credit months of service for such calendar year. If an individual is
21 employed in an eligible position by one or more employers the
22 individual shall receive no more than one service credit month during
23 any calendar month in which multiple service for ninety or more hours
24 is rendered.

25 (iii) Up to forty-five days of sick leave may be creditable as
26 service solely for the purpose of determining eligibility to retire
27 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
28 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
29 to two service credit months. Use of less than forty-five days of sick
30 leave is creditable as allowed under this subsection as follows:

31 (A) Less than eleven days equals one-quarter service credit month;

32 (B) Eleven or more days but less than twenty-two days equals one-
33 half service credit month;

34 (C) Twenty-two days equals one service credit month;

35 (D) More than twenty-two days but less than thirty-three days
36 equals one and one-quarter service credit month;

37 (E) Thirty-three or more days but less than forty-five days equals
38 one and one-half service credit month.

1 (10) "Service credit year" means an accumulation of months of
2 service credit which is equal to one when divided by twelve.

3 (11) "Service credit month" means a month or an accumulation of
4 months of service credit which is equal to one.

5 (12) "Prior service" means all service of an original member
6 rendered to any employer prior to October 1, 1947.

7 (13) "Membership service" means:

8 (a) All service rendered, as a member, after October 1, 1947;

9 (b) All service after October 1, 1947, to any employer prior to the
10 time of its admission into the retirement system for which member and
11 employer contributions, plus interest as required by RCW 41.50.125,
12 have been paid under RCW 41.40.056 or 41.40.057;

13 (c) Service not to exceed six consecutive months of probationary
14 service rendered after April 1, 1949, and prior to becoming a member,
15 in the case of any member, upon payment in full by such member of the
16 total amount of the employer's contribution to the retirement fund
17 which would have been required under the law in effect when such
18 probationary service was rendered if the member had been a member
19 during such period, except that the amount of the employer's
20 contribution shall be calculated by the director based on the first
21 month's compensation earnable as a member;

22 (d) Service not to exceed six consecutive months of probationary
23 service, rendered after October 1, 1947, and before April 1, 1949, and
24 prior to becoming a member, in the case of any member, upon payment in
25 full by such member of five percent of such member's salary during said
26 period of probationary service, except that the amount of the
27 employer's contribution shall be calculated by the director based on
28 the first month's compensation earnable as a member.

29 (14)(a) "Beneficiary" for plan 1 members, means any person in
30 receipt of a retirement allowance, pension or other benefit provided by
31 this chapter.

32 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
33 in receipt of a retirement allowance or other benefit provided by this
34 chapter resulting from service rendered to an employer by another
35 person.

36 (15) "Regular interest" means such rate as the director may
37 determine.

1 (16) "Accumulated contributions" means the sum of all contributions
2 standing to the credit of a member in the member's individual account,
3 including any amount paid under RCW 41.50.165(2), together with the
4 regular interest thereon.

5 (17)(a) "Average final compensation" for plan 1 members, means the
6 annual average of the greatest compensation earnable by a member during
7 any consecutive two year period of service credit months for which
8 service credit is allowed; or if the member has less than two years of
9 service credit months then the annual average compensation earnable
10 during the total years of service for which service credit is allowed.

11 (b) "Average final compensation" for plan 2 and plan 3 members,
12 means the member's average compensation earnable of the highest
13 consecutive sixty months of service credit months prior to such
14 member's retirement, termination, or death. Periods constituting
15 authorized leaves of absence may not be used in the calculation of
16 average final compensation except under RCW 41.40.710(2).

17 (18) "Final compensation" means the annual rate of compensation
18 earnable by a member at the time of termination of employment.

19 (19) "Annuity" means payments for life derived from accumulated
20 contributions of a member. All annuities shall be paid in monthly
21 installments.

22 (20) "Pension" means payments for life derived from contributions
23 made by the employer. All pensions shall be paid in monthly
24 installments.

25 (21) "Retirement allowance" means the sum of the annuity and the
26 pension.

27 (22) "Employee" or "employed" means a person who is providing
28 services for compensation to an employer, unless the person is free
29 from the employer's direction and control over the performance of work.
30 The department shall adopt rules and interpret this subsection
31 consistent with common law.

32 (23) "Actuarial equivalent" means a benefit of equal value when
33 computed upon the basis of such mortality and other tables as may be
34 adopted by the director.

35 (24) "Retirement" means withdrawal from active service with a
36 retirement allowance as provided by this chapter.

37 (25) "Eligible position" means:

1 (a) Any position that, as defined by the employer, normally
2 requires five or more months of service a year for which regular
3 compensation for at least seventy hours is earned by the occupant
4 thereof. For purposes of this chapter an employer shall not define
5 "position" in such a manner that an employee's monthly work for that
6 employer is divided into more than one position;

7 (b) Any position occupied by an elected official or person
8 appointed directly by the governor, or appointed by the chief justice
9 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which
10 compensation is paid.

11 (26) "Ineligible position" means any position which does not
12 conform with the requirements set forth in subsection (25) of this
13 section.

14 (27) "Leave of absence" means the period of time a member is
15 authorized by the employer to be absent from service without being
16 separated from membership.

17 (28) "Totally incapacitated for duty" means total inability to
18 perform the duties of a member's employment or office or any other work
19 for which the member is qualified by training or experience.

20 (29) "Retiree" means any person who has begun accruing a retirement
21 allowance or other benefit provided by this chapter resulting from
22 service rendered to an employer while a member.

23 (30) "Director" means the director of the department.

24 (31) "State elective position" means any position held by any
25 person elected or appointed to statewide office or elected or appointed
26 as a member of the legislature.

27 (32) "State actuary" or "actuary" means the person appointed
28 pursuant to RCW 44.44.010(2).

29 (33) "Plan 1" means the public employees' retirement system, plan
30 1 providing the benefits and funding provisions covering persons who
31 first became members of the system prior to October 1, 1977.

32 (34) "Plan 2" means the public employees' retirement system, plan
33 2 providing the benefits and funding provisions covering persons who
34 first became members of the system on and after October 1, 1977, and
35 are not included in plan 3.

36 (35) "Plan 3" means the public employees' retirement system, plan
37 3 providing the benefits and funding provisions covering persons who:

38 (a) First become a member on or after:

(i) March 1, 2002, and are employed by a state agency or institute of higher education and who did not choose to enter plan 2; or

(ii) September 1, 2002, and are employed by other than a state agency or institute of higher education and who did not choose to enter plan 2; or

(b) Transferred to plan 3 under RCW 41.40.795.

(36) "Index" means, for any calendar year, that year's annual average consumer price index, Seattle, Washington area, for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

(37) "Index A" means the index for the year prior to the determination of a postretirement adjustment.

(38) "Index B" means the index for the year prior to index A.

(39) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(40) "Adjustment ratio" means the value of index A divided by index B.

(41) "Annual increase" means(~~(, initially, fifty-nine)~~) one dollar and forty-five cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(42) "Separation from service" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.40.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination.

(43) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

Sec. 27. RCW 41.40.197 and 1995 c 345 s 5 are each amended to read as follows:

(1) Beginning July 1, 1995, and annually thereafter, the retirement allowance of a person meeting the requirements of this section shall be increased by the annual increase amount.

(2) The following persons shall be eligible for the benefit provided in subsection (1) of this section:

1 (a) A beneficiary who has received a retirement allowance for at
2 least one year by July 1st in the calendar year in which the annual
3 increase is given and has attained at least age sixty-six by (~~July~~
4 ~~1st~~) December 31st in the calendar year in which the annual increase
5 is given; or

6 (b) A beneficiary whose retirement allowance is lower than the
7 minimum benefit provided under RCW 41.40.1984.

8 (3) The following persons shall also be eligible for the benefit
9 provided in subsection (1) of this section:

10 (a) A beneficiary receiving the minimum benefit on June 30, 1995,
11 under RCW 41.40.198; or

12 (b) A recipient of a survivor benefit on June 30, 1995, which has
13 been increased by RCW 41.40.325.

14 (4) If otherwise eligible, those receiving an annual adjustment
15 under RCW 41.40.188(1)(c) shall be eligible for the annual increase
16 adjustment in addition to the benefit that would have been received
17 absent this section.

18 (5) Those receiving a benefit under RCW 41.40.220(1), or a survivor
19 of a disabled member under RCW 41.44.170(5) shall be eligible for the
20 benefit provided by this section.

21 (6) The legislature reserves the right to amend or repeal this
22 section in the future and no member or beneficiary has a contractual
23 right to receive this postretirement adjustment not granted prior to
24 that time.

25 **Sec. 28.** RCW 41.40.1984 and 2004 c 85 s 2 are each amended to read
26 as follows:

27 (1) Except as provided in subsections (4) and (5) of this section,
28 no one who becomes a beneficiary after June 30, 1995, shall receive a
29 monthly retirement allowance of less than twenty-four dollars and
30 twenty-two cents times the number of years of service creditable to the
31 person whose service is the basis of such retirement allowance.

32 (2) Where the retirement allowance payable was adjusted at the time
33 benefit payments to the beneficiary commenced, the minimum allowance
34 provided in this section shall be adjusted in a manner consistent with
35 that adjustment.

36 (3) Beginning July 1, 1996, the minimum benefit set forth in

subsection (1) of this section shall be adjusted annually by the annual increase.

(4) Those receiving a benefit under RCW 41.40.220(1) or under RCW 41.44.170 (3) and (5) shall not be eligible for the benefit provided by this section.

(5) For persons who served as elected officials and whose accumulated employee contributions and credited interest was less than seven hundred fifty dollars at the time of retirement, the minimum benefit under subsection (1) of this section shall be ten dollars per month per each year of creditable service.

(6) Beginning July 1, 2004, the minimum benefit set forth in subsection (1) of this section, prior to adjustments set forth in subsection (2) of this section, for a beneficiary with at least twenty-five years of service and who has been retired at least twenty years shall be one thousand dollars per month(~~((. The minimum benefit in this subsection shall not be adjusted by the annual increase provided in subsection (3) of this section))~~) which shall be increased each July 1st by three percent, rounded to the nearest cent.

(7) Beginning July 1, 2005, the minimum benefit set forth in subsection (1) of this section, prior to adjustments set forth in subsection (2) of this section, for a beneficiary with at least twenty years of service and who has been retired at least twenty-five years shall be one thousand dollars per month which shall be increased each July 1st by three percent, rounded to the nearest cent.

NEW SECTION. **Sec. 29.** The following acts or parts of acts are each repealed:

(1) RCW 41.31.010 (Annual pension increases--Increased by gain-sharing increase amount) and 1998 c 340 s 1;

(2) RCW 41.31.020 (Gain-sharing increase amount calculated) and 1998 c 340 s 2; and

(3) RCW 41.31.030 (Contractual right to increase not granted) and 1998 c 340 s 3.

NEW SECTION. **Sec. 30.** Sections 22 through 25 and 27 through 29 of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect immediately.

1 NEW SECTION. **Sec. 31.** Section 25 of this act expires July 1,
2 2006.

3 NEW SECTION. **Sec. 32.** Section 26 of this act takes effect July 1,
4 2006.

--- END ---

Select Committee on Pension Policy

2005 Legislative Session

Public Pension Legislation Not Requested by the SCPP

(Revised - February 2, 2005)

1. **HB 1043 - Gain-Sharing (OFM)**

This bill impacts the public employees' retirement system, the teachers' retirement system and the school employees' retirement system by making gain-sharing distributions discretionary with the legislature. The bill also codifies a funding approach for gain-sharing that delays recognition of gain-sharing liabilities until after they occur. (All other material liabilities of the pension systems are pre-funded.) The proposed legislation provides that for benefit increases resulting from gain-sharing, the basic contribution rate shall include the cost of the increases beginning with the next actuarial valuation after the effective date of the increase.

Fiscal Impact: Not available.

2. **HB 1044 - Pension Funding (OFM)**

This bill impacts the Public Employees' (PERS), School Employees' (SERS), Teachers' (TRS), and Law Enforcement Officers' and Fire Fighters' (LEOFF) Retirement Systems. The bill suspends payment for the amortization of the unfunded actuarially accrued liability (UAAL) in PERS 1 and TRS 1 for the 2005-2007 biennium and establishes the following contribution rate schedule for plan 2/3 employers and plan 2 members:

	Employer				Member			
	7-1-05	7-1-06	9-1-05	9-1-06	7-1-05	7-1-06	9-1-03*	9-1-06
PERS	1.75%	2.50%			1.75%	2.50%		
SERS			2.00%	2.75%			2.00%	2.75%
TRS			1.30%	1.58%			1.00%	1.30%
LEOFF	3.03%				5.05%			

**The bill does not specify retroactivity. Therefore, these rate changes are likely effective 9/1/05.*

The bill further requires future contribution rates in the combined PERS 2/3, SERS 2/3, and TRS 2/3 plans to be calculated using a different actuarial funding method known as the Projected Unit Credit (PUC) method (rather than the "aggregate" method that is currently used). It changes the statutory policy that long-term contribution rates be "predictable" and a "relatively constant" proportion of state budgets, to a standard requiring that they be a relatively "predictable" proportion of state budgets. Finally, it changes the requirement that employer and state contributions rates be "level" percentages of pay (to fully amortize the unfunded liability in the Plans 1 and fully fund the Plans 2/3) to "predictable" percentages of pay.

Fiscal Impact: Not available.

3. **HB 1269/SB 5616 - Service Credit Purchase (LEOFF 2 Board)**

This bill impacts the LEOFF 2 Retirement System by permitting members who are eligible to retire to make a one-time purchase of up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit. A member may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The bill directs the department of retirement systems to promulgate rules to ensure IRS compliance. The effective date is July 1, 2006.

Fiscal Impact: None.

4. **HB 1270/SB 5617 - Re-employment (LEOFF 2 Board)**

This bill impacts Plan 2 of the Law Enforcement and Firefighters' Retirement System (LEOFF 2). The proposed bill amends the LEOFF 2 provisions to allow members or retirees who continue in public employment following separation or retirement from LEOFF to establish membership in the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS), or the Public Safety Employees' Retirement System (PSERS), notwithstanding the "estoppel rule" in RCW 41.04.270. The bill further provides that a retiree who elects to enter into plan membership shall have his or her benefits suspended, while a retiree who does not elect to enter into plan membership shall continue to receive his or her

benefits without interruption.

Fiscal Impact: None.

5. **HB 1271/SB 5615 - Disability (LEOFF 2 Board)**

This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by removing the actuarial reduction for a duty disability benefit, and establishing a total disability benefit equal to seventy percent of a member's final average salary if the member is unable to perform any substantial gainful activity due to a physical or mental condition that may be expected to result in death or that has lasted or is expected to last at least twelve months. Substantial gainful activity is defined as average earnings of no more than eight hundred ten dollars a month in 2004 and indexed to inflation.

Fiscal Impact: Yes.

6. **HB 1520/SB 5520 - Plan 2 Post-Employment PEBB (Cody/Keiser)**

This bill impacts the Public Employees' Retirement System Plan 2 (PERS 2), School Employees' Retirement System Plan 2 (SERS 2), and Teachers' Retirement System Plan 2 (TRS 2) by allowing members who separate and are at least age 55 and have at least 10 years of service to continue to participate in their employers' insurance plans and contracts if that participation is selected immediately upon separation from employment. Eligibility for participation would be prospective for SERS 2 and TRS 2 members who separate, but retroactive for PERS 2 members who have separated since March 1, 2002.

Fiscal Impact: None.

7. **HB 1521/SB 5522 - Service Credit Purchase, Injury (Simpson/Franklin)**

This bill impacts all plans in the Public Employees' Retirement System (PERS) by allowing members who are injured while acting in the course of employment to receive up to two years of lost service credit. A member seeking lost service credit must apply for re-employment within ninety days of when the member is able to return to work and benefits under Title 51 (Industrial Insurance) have ceased. The member must also make the required employee contributions within five years of resumption of service or prior to retirement, whichever comes sooner. If the member does not restore contributions within that time frame, the member must pay the actuarial value of the resulting increase in the benefit.

Fiscal Impact: Not available.

8. **HB 1522/SB 5521 - Military Service Credit (Hunt/Rasmussen)**

This bill impacts the Plans 2 of the Teachers' Retirement System (TRS), School Employees' Retirement System (SERS) and Public Employees' Retirement System (PERS). The bill deletes existing provisions concerning interruptive military service credit and replaces them with the same provisions for both interruptive and non-interruptive military service credit as are currently found in PERS 1. In addition, a provision is added that prevents TRS, SERS and PERS Plan 2 members from receiving military service credit if they are receiving full military retirement benefits.

Fiscal Impact: Not available.

9. **HB 1564 - Washington State Patrol Mandatory Retirement Age (Lovick)**

This bill impacts the Washington State Patrol Retirement System (WSPRS) by increasing the mandatory retirement age from sixty to sixty-one. Members who reach age sixty-one shall be retired on the first day of the calendar month next succeeding that in which said member shall have attained the age of sixty. The age 61 retirement age shall not apply to the Chief of the Washington State Patrol.

Fiscal Impact: Not available.

10. **HB 1594 - SIB Growing Business Fund (Linville)**

This bill impacts the State Investment Board (SIB), whose members are trustees of the assets of public retirement funds. This bill would mandate the creation of a \$500 million account to be maintained separately from other money invested by the board. Investments from this account may be made in start-up and expanding businesses based in Washington. While assets would be invested according to existing primary objectives and criteria, the bill requires that for these funds, assets must be diversified across different industry sectors and regions of the state using specified priorities for start-up and expanding Washington-based businesses.

In selecting one or more managers for investing funds within the separate account the Board would be required to consider the company's physical and employment presence in Washington as well as a demonstrable ability to find investment opportunities in communities throughout the state. Additionally, the SIB or its designees would be required to include in their statement of investment principles the extent, if at all, to which social, environmental, or ethical considerations are taken into account in their selection, retention, and realization of investments; and their policy, if any, in relations to the exercise of rights attaching to investments (including voting rights).

Fiscal Impact: Not available.

11. **HB 1634/SB 5497 - Terminally Ill Members (Grant/Delvin)**

This bill impacts the Public Employees' Retirement System plans 2/3, the School Employees' Retirement System plans 2/3, and the Teachers' Retirement System plans 2/3 by allowing members who are diagnosed with a terminal illness to remove themselves from their retirement plans. Such members must be examined by or under the direction of a medical advisor, who must certify in writing the existence of a terminal illness with a life expectancy of five years or less. The director of the retirement systems must then concur in the recommendation of the medical advisor. Such terminally ill members would not make contributions or earn service credit.

Fiscal Impact: None.

12. **SB 5112 - Veterans Afghanistan and Persian Gulf War (Shin)**

This bill impacts the Public Employees' Retirement System (PERS) Plan 1 by amending the definition of "veteran" in RCW 41.04.005 for the purpose of determining PERS 1 military service credit (as well as other purposes that are not relevant to the Washington State Retirement Systems). The amended definition would add the following persons to be included within the definition: (a) persons who served on active duty in the armed forces of the United States in any portion of the Persian Gulf combat zone as part of Operation Iraqi Freedom, and (b) persons who served on active duty in the armed forces of the United States in southern or central Asia as part of Operation Enduring Freedom.

Fiscal Impact: No impact on projected funding expenditures.

13. **SB 5135 - Volunteer Fire Relief Fund Contributions (Kastama)**

This bill impacts the Volunteer Fire Fighters' Relief and Pension Fund. The bill clarifies the definition of "fire fighter" and "emergency worker" so as to prevent part-time PERS firefighters and emergency workers from earning both a PERS benefit and a Volunteer Fire benefit for the same job. The bill also increases the annual fee paid by each municipal corporation for the purpose of affording relief (or medical) benefits for volunteer fire

fighters from ten dollars to thirty dollars per member. Finally, the bill allows the State Board for Volunteer Fire Fighters and Reserve Officers to seek recovery from a third party if a volunteer is injured.

Fiscal Impact: Local employer contributions will increase to thirty dollars, but there is no impact on state funding.

14. **SB 5286 - Post-retirement Employment (Kastama)**

This bill impacts the Public Employees' Retirement System plan 1 (PERS 1), and Teachers' Retirement System plan 1 (TRS 1) by amending the statutes relating to post-retirement employment. The bill does the following, effective immediately upon signing:

- Limits TRS 1 post-retirement employment for retirees with one month of separation to 867 hours in a school year.
- Allows a TRS 1 retiree to work up to 1,500 hours in a school year if the member separates for one and one-half calendar months and,
 - is hired into a special education, science, or mathematics position for which the school board has documented a justifiable need to hire a retiree,
 - is hired through the established process for the position with the approval of the school board or the prospective employer; and
 - the employer retains records of the hiring procedures in the event of an audit.
- Provides the superintendent of public instruction a process to recommend to the legislature a list of employment positions to be considered for inclusion on the list of those with a documented justifiable need for which a retiree may be hired.
- Allows TRS 1 members currently employed under post-retirement agreements to continue in those agreements until December 31, 2005.

- The bill allows a PERS 1 retiree to work up to 1,500 hours in a calendar year if the member separates for three calendar months and is hired into an actuary, actuarial associate, correctional health investigator, dentist, pharmacist, physician, public health advisor, radiation health physicist, or radiology technician position.
- Provides PERS employers a process to recommend to the legislature a list of employment positions to be considered for inclusion on the list of those with a documented justifiable need for which a retiree may be hired.
- Removes the 1,900 hour cumulative limit beyond the existing 867 hour annual threshold in PERS 1.
- Allows PERS 1 members currently employed under post-retirement agreements to continue in those agreements until December 31, 2005.

Fiscal Impact: Indeterminate.

15. **SB 5695 - TRS 1 Prior Military Service Credit (Sheldon)**

This bill would allow members of TRS 1 to receive service credit for service in the armed forces that was performed prior to retirement system membership under the following conditions: the member must have completed 25 years of creditable service, the total number of military service credit from all sources does not exceed 5 years, the member pays member contributions as determined by the director, the member meets the definition of veteran in RCW 41.04.005, and the member is not receiving full military retirement benefits.

Fiscal Impact: Not available.

HOUSE BILL 1043

State of Washington

59th Legislature

2005 Regular Session

By Representative Sommers; by request of Office of Financial Management

Read first time 01/11/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to public pension gain-sharing increase amounts;
2 amending RCW 41.31.010, 41.31.020, 41.31A.020, 41.45.060, and
3 41.45.070; reenacting and amending RCW 41.45.060 and 41.45.070; adding
4 a new section to chapter 41.31 RCW; adding a new section to chapter
5 41.31A RCW; providing effective dates; providing an expiration date;
6 and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 41.31.010 and 1998 c 340 s 1 are each amended to read
9 as follows:

10 Beginning July 1, 1998, and on January 1st of even-numbered years
11 (~~((thereafter))~~) until January 1, 2005, the annual increase amount as
12 defined in RCW 41.32.010 and 41.40.010 shall be increased by the gain-
13 sharing increase amount, if any. The monthly retirement allowance of
14 a person in receipt of the benefit provided in RCW 41.32.489 or
15 41.40.197 shall immediately be adjusted to reflect any increase.

16 **Sec. 2.** RCW 41.31.020 and 1998 c 340 s 2 are each amended to read
17 as follows:

18 (1) The gain-sharing increase amount, if authorized by the

1 legislature, shall be the amount of increase, rounded to the nearest
2 cent, that can be fully funded in actuarial present value by the amount
3 of extraordinary investment gains, if any. The amount of extraordinary
4 investment gains shall be calculated as follows:

5 (a) One-half of the sum of the value of the net assets held in
6 trust for pension benefits in the teachers' retirement system plan 1
7 fund and the public employees' retirement system plan 1 fund at the
8 close of the previous state fiscal year;

9 (b) Multiplied by the amount which the compound average of
10 investment returns on those assets over the previous four state fiscal
11 years exceeds ten percent.

12 (2) The gain-sharing increase amount for July 1998, as provided for
13 in RCW 41.31.010, is ten cents.

14 NEW SECTION. Sec. 3. A new section is added to chapter 41.31 RCW
15 to read as follows:

16 Beginning July 1, 2005, and on July 1st of even-numbered years
17 thereafter, the legislature may authorize an increase as provided in
18 RCW 41.31.020.

19 NEW SECTION. Sec. 4. A new section is added to chapter 41.31A RCW
20 to read as follows:

21 Beginning July 1, 2005, and on July 1st of even-numbered years
22 thereafter, the legislature may authorize an increase as provided in
23 RCW 41.31A.020.

24 **Sec. 5.** RCW 41.31A.020 and 2003 c 294 s 4 are each amended to read
25 as follows:

26 (1) On January 1, 2004, and on January 1st of even-numbered years
27 (~~((thereafter))~~) until January 1, 2005, the member account of a person
28 meeting the requirements of this section shall be credited by the
29 extraordinary investment gain amount.

30 (2) The following persons shall be eligible for the benefit
31 provided in subsection (1) of this section or as authorized by section
32 4 of this act:

33 (a) Any member of the teachers' retirement system plan 3, the
34 Washington school employees' retirement system plan 3, or the public
35 employees' retirement system plan 3 who earned service credit during

1 the twelve-month period from September 1st to August 31st immediately
2 preceding the distribution and had a balance of at least one thousand
3 dollars in their member account on August 31st of the year immediately
4 preceding the distribution; or

5 (b) Any person in receipt of a benefit pursuant to RCW 41.32.875,
6 41.35.680, or 41.40.820; or

7 (c) Any person who is a retiree pursuant to RCW 41.34.020(8) and
8 who:

9 (i) Completed ten service credit years; or

10 (ii) Completed five service credit years, including twelve service
11 months after attaining age fifty-four; or

12 (d) Any teacher who is a retiree pursuant to RCW 41.34.020(8) and
13 who has completed five service credit years by July 1, 1996, under plan
14 2 and who transferred to plan 3 under RCW 41.32.817; or

15 (e) Any classified employee who is a retiree pursuant to RCW
16 41.34.020(8) and who has completed five service credit years by
17 September 1, 2000, and who transferred to plan 3 under RCW 41.35.510;
18 or

19 (f) Any public employee who is a retiree pursuant to RCW
20 41.34.020(8) and who has completed five service credit years by March
21 1, 2002, and who transferred to plan 3 under RCW 41.40.795; or

22 (g) Any person who had a balance of at least one thousand dollars
23 in their member account on August 31st of the year immediately
24 preceding the distribution and who:

25 (i) Completed ten service credit years; or

26 (ii) Completed five service credit years, including twelve service
27 months after attaining age fifty-four; or

28 (h) Any teacher who had a balance of at least one thousand dollars
29 in their member account on August 31st of the year immediately
30 preceding the distribution and who has completed five service credit
31 years by July 1, 1996, under plan 2 and who transferred to plan 3 under
32 RCW 41.32.817; or

33 (i) Any classified employee who had a balance of at least one
34 thousand dollars in their member account on August 31st of the year
35 immediately preceding the distribution and who has completed five
36 service credit years by September 1, 2000, and who transferred to plan
37 3 under RCW 41.35.510; or

1 (j) Any public employee who had a balance of at least one thousand
2 dollars in their member account on August 31st of the year immediately
3 preceding the distribution and who has completed five service credit
4 years by March 1, 2002, and who transferred to plan 3 under RCW
5 41.40.795.

6 (3) The extraordinary investment gain amount, if authorized by the
7 legislature, shall be calculated as follows:

8 (a) One-half of the sum of the value of the net assets held in
9 trust for pension benefits in the teachers' retirement system combined
10 plan 2 and 3 fund, the Washington school employees' retirement system
11 combined plan 2 and 3 fund, and the public employees' retirement system
12 combined plan 2 and 3 fund at the close of the previous state fiscal
13 year not including the amount attributable to member accounts;

14 (b) Multiplied by the amount which the compound average of
15 investment returns on those assets over the previous four state fiscal
16 years exceeds ten percent;

17 (c) Multiplied by the proportion of:

18 (i) The sum of the service credit on August 31st of the previous
19 year of all persons eligible for the benefit provided in subsection (1)
20 of this section; to

21 (ii) The sum of the service credit on August 31st of the previous
22 year of:

23 (A) All persons eligible for the benefit provided in subsection (1)
24 of this section;

25 (B) Any person who earned service credit in the teachers'
26 retirement system plan 2, the Washington school employees' retirement
27 system plan 2, or the public employees' retirement system plan 2 during
28 the twelve-month period from September 1st to August 31st immediately
29 preceding the distribution;

30 (C) Any person in receipt of a benefit pursuant to RCW 41.32.765,
31 41.35.420, or 41.40.630; and

32 (D) Any person with five or more years of service in the teachers'
33 retirement system plan 2, the Washington school employees' retirement
34 system plan 2, or the public employees' retirement system plan 2;

35 (d) Divided proportionally among persons eligible for the benefit
36 provided in subsection (1) of this section on the basis of their
37 service credit total on August 31st of the previous year.

1 (4) The legislature reserves the right to amend or repeal this
2 section in the future and no member or beneficiary has a contractual
3 right to receive this distribution not granted prior to that time.

4 **Sec. 6.** RCW 41.45.060 and 2003 c 294 s 10 and 2003 c 92 s 3 are
5 each reenacted and amended to read as follows:

6 (1) The state actuary shall provide actuarial valuation results
7 based on the economic assumptions and asset value smoothing technique
8 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
9 or 41.45.035.

10 (2) Not later than September 30, 2002, and every two years
11 thereafter, consistent with the economic assumptions and asset value
12 smoothing technique included in RCW 41.45.035 or adopted under RCW
13 41.45.030 or 41.45.035, the council shall adopt and may make changes
14 to:

15 (a) A basic state contribution rate for the law enforcement
16 officers' and fire fighters' retirement system plan 1;

17 (b) Basic employer contribution rates for the public employees'
18 retirement system, the teachers' retirement system, and the Washington
19 state patrol retirement system to be used in the ensuing biennial
20 period; and

21 (c) A basic employer contribution rate for the school employees'
22 retirement system for funding both that system and the public
23 employees' retirement system plan 1.

24 The contribution rates adopted by the council shall be subject to
25 revision by the legislature.

26 (3) The employer and state contribution rates adopted by the
27 council shall be the level percentages of pay that are needed:

28 (a) To fully amortize the total costs of the public employees'
29 retirement system plan 1, the teachers' retirement system plan 1, and
30 the law enforcement officers' and fire fighters' retirement system plan
31 1 not later than June 30, 2024; and

32 (b) To also continue to fully fund the public employees' retirement
33 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
34 and the school employees' retirement system plans 2 and 3 in accordance
35 with RCW 41.45.061, 41.45.067, and this section.

36 (4) The aggregate actuarial cost method shall be used to calculate

1 a combined plan 2 and 3 employer contribution rate and a Washington
2 state patrol retirement system contribution rate.

3 (5) The council shall immediately notify the directors of the
4 office of financial management and department of retirement systems of
5 the state and employer contribution rates adopted. The rates shall be
6 effective for the ensuing biennial period, subject to any legislative
7 modifications.

8 (6) The director of the department of retirement systems shall
9 collect the rates established in RCW 41.45.053 through June 30, 2003.
10 Thereafter, the director shall collect those rates adopted by the
11 council. The rates established in RCW 41.45.053, or by the council,
12 shall be subject to revision by the council.

13 (7) For benefit increases under chapter 41.31 or 41.31A RCW, the
14 basic contribution rate shall include the cost of the increases
15 beginning with the next valuation after the effective date of the
16 increase.

17 **Sec. 7.** RCW 41.45.060 and 2004 c 242 s 39 are each amended to read
18 as follows:

19 (1) The state actuary shall provide actuarial valuation results
20 based on the economic assumptions and asset value smoothing technique
21 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
22 or 41.45.035.

23 (2) Not later than September 30, 2002, and every two years
24 thereafter, consistent with the economic assumptions and asset value
25 smoothing technique included in RCW 41.45.035 or adopted under RCW
26 41.45.030 or 41.45.035, the council shall adopt and may make changes
27 to:

28 (a) A basic state contribution rate for the law enforcement
29 officers' and fire fighters' retirement system plan 1;

30 (b) Basic employer contribution rates for the public employees'
31 retirement system, the teachers' retirement system, and the Washington
32 state patrol retirement system to be used in the ensuing biennial
33 period; and

34 (c) A basic employer contribution rate for the school employees'
35 retirement system and the public safety employees' retirement system
36 for funding both those systems and the public employees' retirement
37 system plan 1.

1 The contribution rates adopted by the council shall be subject to
2 revision by the legislature.

3 (3) The employer and state contribution rates adopted by the
4 council shall be the level percentages of pay that are needed:

5 (a) To fully amortize the total costs of the public employees'
6 retirement system plan 1, the teachers' retirement system plan 1, and
7 the law enforcement officers' and fire fighters' retirement system plan
8 1 not later than June 30, 2024; and

9 (b) To fully fund the public employees' retirement system plans 2
10 and 3, the teachers' retirement system plans 2 and 3, the public safety
11 employees' retirement system plan 2, and the school employees'
12 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
13 41.45.067, and this section.

14 (4) The aggregate actuarial cost method shall be used to calculate
15 a combined plan 2 and 3 employer contribution rate and a Washington
16 state patrol retirement system contribution rate.

17 (5) The council shall immediately notify the directors of the
18 office of financial management and department of retirement systems of
19 the state and employer contribution rates adopted. The rates shall be
20 effective for the ensuing biennial period, subject to any legislative
21 modifications.

22 (6) The director shall collect those rates adopted by the council.
23 The rates established in RCW 41.45.054, or by the council, shall be
24 subject to revision by the legislature.

25 (7) For benefit increases under chapter 41.31 or 41.31A RCW, the
26 basic contribution rate shall include the cost of the increases
27 beginning with the next valuation after the effective date of the
28 increase.

29 **Sec. 8.** RCW 41.45.070 and 2003 1st sp.s. c 11 s 3 and 2003 c 92 s
30 5 are each reenacted and amended to read as follows:

31 (1) In addition to the basic employer contribution rate established
32 in RCW 41.45.060 or 41.45.054, the department shall also charge
33 employers of public employees' retirement system, teachers' retirement
34 system, school employees' retirement system, or Washington state patrol
35 retirement system members an additional supplemental rate to pay for
36 the cost of additional benefits, if any, granted to members of those
37 systems. Except as provided in subsections (6) and (7) of this

1 section, the supplemental contribution rates required by this section
2 shall be calculated by the state actuary and shall be charged
3 regardless of language to the contrary contained in the statute which
4 authorizes additional benefits.

5 (2) In addition to the basic member, employer, and state
6 contribution rate established in RCW 41.45.0604 for the law enforcement
7 officers' and fire fighters' retirement system plan 2, the department
8 shall also establish supplemental rates to pay for the cost of
9 additional benefits, if any, granted to members of the law enforcement
10 officers' and fire fighters' retirement system plan 2. Except as
11 provided in subsection (6) of this section, these supplemental rates
12 shall be calculated by the actuary retained by the law enforcement
13 officers' and fire fighters' board and the state actuary through the
14 process provided in RCW 41.26.720(1)(a) and the state treasurer shall
15 transfer the additional required contributions regardless of language
16 to the contrary contained in the statute which authorizes the
17 additional benefits.

18 (3) The supplemental rate charged under this section to fund
19 benefit increases provided to active members of the public employees'
20 retirement system plan 1, the teachers' retirement system plan 1, and
21 Washington state patrol retirement system, shall be calculated as the
22 level percentage of all members' pay needed to fund the cost of the
23 benefit not later than June 30, 2024.

24 (4) The supplemental rate charged under this section to fund
25 benefit increases provided to active and retired members of the public
26 employees' retirement system plan 2 and plan 3, the teachers'
27 retirement system plan 2 and plan 3, or the school employees'
28 retirement system plan 2 and plan 3 shall be calculated as the level
29 percentage of all members' pay needed to fund the cost of the benefit,
30 as calculated under RCW 41.45.060, 41.45.061, or 41.45.067.

31 (5) The supplemental rate charged under this section to fund
32 postretirement adjustments which are provided on a nonautomatic basis
33 to current retirees shall be calculated as the percentage of pay needed
34 to fund the adjustments as they are paid to the retirees. The
35 supplemental rate charged under this section to fund automatic
36 postretirement adjustments for active or retired members of the public
37 employees' retirement system plan 1 and the teachers' retirement system

1 plan 1 shall be calculated as the level percentage of pay needed to
2 fund the cost of the automatic adjustments not later than June 30,
3 2024.

4 (6) A supplemental rate shall not be charged to pay for the cost of
5 additional benefits granted to members pursuant to chapter 340, Laws of
6 1998.

7 (7) A supplemental rate shall not be charged to pay for the cost of
8 additional benefits granted to members pursuant to chapter 41.31A RCW;
9 section 309, chapter 341, Laws of 1998; or section 701, chapter 341,
10 Laws of 1998.

11 (8) For benefit increases under chapter 41.31 or 41.31A RCW, the
12 basic contribution rate shall include the cost of the increases
13 beginning with the next valuation after the effective date of the
14 increase.

15 **Sec. 9.** RCW 41.45.070 and 2004 c 242 s 41 are each amended to read
16 as follows:

17 (1) In addition to the basic employer contribution rate established
18 in RCW 41.45.060 or 41.45.054, the department shall also charge
19 employers of public employees' retirement system, teachers' retirement
20 system, school employees' retirement system, public safety employees'
21 retirement system, or Washington state patrol retirement system members
22 an additional supplemental rate to pay for the cost of additional
23 benefits, if any, granted to members of those systems. Except as
24 provided in subsections (6) and (7) of this section, the supplemental
25 contribution rates required by this section shall be calculated by the
26 state actuary and shall be charged regardless of language to the
27 contrary contained in the statute which authorizes additional benefits.

28 (2) In addition to the basic member, employer, and state
29 contribution rate established in RCW 41.45.0604 for the law enforcement
30 officers' and fire fighters' retirement system plan 2, the department
31 shall also establish supplemental rates to pay for the cost of
32 additional benefits, if any, granted to members of the law enforcement
33 officers' and fire fighters' retirement system plan 2. Except as
34 provided in subsection (6) of this section, these supplemental rates
35 shall be calculated by the actuary retained by the law enforcement
36 officers' and fire fighters' board and the state actuary through the
37 process provided in RCW 41.26.720(1)(a) and the state treasurer shall

1 transfer the additional required contributions regardless of language
2 to the contrary contained in the statute which authorizes the
3 additional benefits.

4 (3) The supplemental rate charged under this section to fund
5 benefit increases provided to active members of the public employees'
6 retirement system plan 1, the teachers' retirement system plan 1, and
7 Washington state patrol retirement system, shall be calculated as the
8 level percentage of all members' pay needed to fund the cost of the
9 benefit not later than June 30, 2024.

10 (4) The supplemental rate charged under this section to fund
11 benefit increases provided to active and retired members of the public
12 employees' retirement system plan 2 and plan 3, the teachers'
13 retirement system plan 2 and plan 3, the public safety employees'
14 retirement system plan 2, or the school employees' retirement system
15 plan 2 and plan 3 shall be calculated as the level percentage of all
16 members' pay needed to fund the cost of the benefit, as calculated
17 under RCW 41.45.060, 41.45.061, or 41.45.067.

18 (5) The supplemental rate charged under this section to fund
19 postretirement adjustments which are provided on a nonautomatic basis
20 to current retirees shall be calculated as the percentage of pay needed
21 to fund the adjustments as they are paid to the retirees. The
22 supplemental rate charged under this section to fund automatic
23 postretirement adjustments for active or retired members of the public
24 employees' retirement system plan 1 and the teachers' retirement system
25 plan 1 shall be calculated as the level percentage of pay needed to
26 fund the cost of the automatic adjustments not later than June 30,
27 2024.

28 (6) A supplemental rate shall not be charged to pay for the cost of
29 additional benefits granted to members pursuant to chapter 340, Laws of
30 1998.

31 (7) A supplemental rate shall not be charged to pay for the cost of
32 additional benefits granted to members pursuant to chapter 41.31A RCW;
33 section 309, chapter 341, Laws of 1998; or section 701, chapter 341,
34 Laws of 1998.

35 (8) For benefit increases under chapter 41.31 or 41.31A RCW, the
36 basic contribution rate shall include the cost of the increases
37 beginning with the next valuation after the effective date of the
38 increase.

1 NEW SECTION. **Sec. 10.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 July 1, 2005, except for sections 7 and 9 of this act which take effect
5 July 1, 2006.

6 NEW SECTION. **Sec. 11.** Sections 6 and 8 of this act expire July 1,
7 2006.

--- END ---

HOUSE BILL 1044

State of Washington

59th Legislature

2005 Regular Session

By Representative Sommers; by request of Office of Financial Management

Read first time 01/11/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to pension funding methodology; amending RCW
2 41.45.010, 41.45.010, 41.45.054, and 41.45.060; reenacting and amending
3 RCW 41.45.060; providing effective dates; providing an expiration date;
4 and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.45.010 and 2002 c 26 s 3 are each amended to read
7 as follows:

8 It is the intent of the legislature to provide a dependable and
9 systematic process for funding the benefits provided to members and
10 retirees of the public employees' retirement system, chapter 41.40 RCW;
11 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
12 officers' and fire fighters' retirement systems, chapter 41.26 RCW; the
13 school employees' retirement system, chapter 41.35 RCW; and the
14 Washington state patrol retirement system, chapter 43.43 RCW.

15 The legislature finds that the funding status of the state
16 retirement systems has improved dramatically since 1989. Because of
17 the big reduction in unfunded pension liabilities, it is now prudent to
18 adjust the long-term economic assumptions that are used in the
19 actuarial studies conducted by the state actuary. The legislature

1 finds that it is reasonable to increase the salary growth assumption in
2 light of Initiative Measure No. 732, to increase the investment return
3 assumption in light of the asset allocation policies and historical
4 returns of the state investment board, and to reestablish June 30,
5 2024, as the target date to achieve full funding of all liabilities in
6 the public employees' retirement system plan 1, the teachers'
7 retirement system plan 1, and the law enforcement officers' and fire
8 fighters' retirement system plan 1.

9 The funding process established by this chapter is intended to
10 achieve the following goals:

11 (1) To continue to fully fund the public employees' retirement
12 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
13 the school employees' retirement system plans 2 and 3, and the law
14 enforcement officers' and fire fighters' retirement system plan 2 as
15 provided by law;

16 (2) To fully amortize the total costs of the public employees'
17 retirement system plan 1, the teachers' retirement system plan 1, and
18 the law enforcement officers' and fire fighters' retirement system plan
19 1, not later than June 30, 2024;

20 (3) To establish ((predictable)) long-term employer contribution
21 rates which will remain a relatively ((constant)) predictable
22 proportion of the future state budgets; and

23 (4) To fund, to the extent feasible, benefit increases for plan 1
24 members and all benefits for plan 2 and 3 members over the working
25 lives of those members so that the cost of those benefits are paid by
26 the taxpayers who receive the benefit of those members' service.

27 **Sec. 2.** RCW 41.45.010 and 2004 c 242 s 36 are each amended to read
28 as follows:

29 It is the intent of the legislature to provide a dependable and
30 systematic process for funding the benefits provided to members and
31 retirees of the public employees' retirement system, chapter 41.40 RCW;
32 the teachers' retirement system, chapter 41.32 RCW; the law enforcement
33 officers' and fire fighters' retirement systems, chapter 41.26 RCW; the
34 school employees' retirement system, chapter 41.35 RCW; the public
35 safety employees' retirement system, chapter 41.37 RCW; and the
36 Washington state patrol retirement system, chapter 43.43 RCW.

1 The legislature finds that the funding status of the state
2 retirement systems has improved dramatically since 1989. Because of
3 the big reduction in unfunded pension liabilities, it is now prudent to
4 adjust the long-term economic assumptions that are used in the
5 actuarial studies conducted by the state actuary. The legislature
6 finds that it is reasonable to increase the salary growth assumption in
7 light of Initiative Measure No. 732, to increase the investment return
8 assumption in light of the asset allocation policies and historical
9 returns of the state investment board, and to reestablish June 30,
10 2024, as the target date to achieve full funding of all liabilities in
11 the public employees' retirement system plan 1, the teachers'
12 retirement system plan 1, and the law enforcement officers' and fire
13 fighters' retirement system plan 1.

14 The funding process established by this chapter is intended to
15 achieve the following goals:

16 (1) To fully fund the public employees' retirement system plans 2
17 and 3, the teachers' retirement system plans 2 and 3, the school
18 employees' retirement system plans 2 and 3, the public safety
19 employees' retirement system plan 2, and the law enforcement officers'
20 and fire fighters' retirement system plan 2 as provided by law;

21 (2) To fully amortize the total costs of the public employees'
22 retirement system plan 1, the teachers' retirement system plan 1, and
23 the law enforcement officers' and fire fighters' retirement system plan
24 1, not later than June 30, 2024;

25 (3) To establish ~~((predictable))~~ long-term employer contribution
26 rates which will remain a relatively ~~((constant))~~ predictable
27 proportion of the future state budgets; and

28 (4) To fund, to the extent feasible, benefit increases for plan 1
29 members and all benefits for plan 2 and 3 members over the working
30 lives of those members so that the cost of those benefits are paid by
31 the taxpayers who receive the benefit of those members' service.

32 **Sec. 3.** RCW 41.45.054 and 2003 1st sp.s. c 11 s 2 are each amended
33 to read as follows:

34 The basic employer and state contribution rates and plan 2 member
35 contribution rates are changed to reflect the ~~((2000))~~ 2002 actuarial
36 valuation(~~(, incorporating the 1995-2000 actuarial experience study~~
37 ~~conducted by the office of the state actuary. The results of the 2001~~

1 ~~actuarial valuation for the public employees' retirement system, the~~
2 ~~teachers' retirement system, and the school employees' retirement~~
3 ~~system shall be restated as a result of the new asset smoothing method~~
4 ~~adopted in RCW 41.45.035,))~~ and suspension of payments on the unfunded
5 liability in the public employees' retirement system and teachers'
6 retirement system, to collect the following contribution rates:

7 (1)(a) Beginning July 1, ((2003)) 2005, the following employer
8 contribution rates shall be charged:

9 ((~~(a) 1.18~~)) (i) 1.75 percent for the public employees' retirement
10 system; and

11 ((~~(b)~~)) (ii) 3.03 percent for the law enforcement officers' and
12 fire fighters' retirement system plan 2.

13 (b) Beginning July 1, 2006, the employer contribution rate of 2.50
14 percent for the public employees' retirement system shall be charged.

15 (2) Beginning July 1, 2003, the basic state contribution rate for
16 the law enforcement officers' and fire fighters' retirement system plan
17 2 shall be 2.02 percent.

18 (3)(a) Beginning September 1, ((2003)) 2005, the following employer
19 contribution rates shall be charged:

20 ((~~(a) 0.84~~)) (i) 2.00 percent for the school employees' retirement
21 system; and

22 ((~~(b) 1.17~~)) (ii) 1.30 percent for the teachers' retirement system.

23 (b) Beginning September 1, 2006, the following employer
24 contribution rates shall be charged:

25 (i) 2.75 percent for the school employees' retirement system; and

26 (ii) 1.58 percent for the teachers' retirement system.

27 (4)(a) Beginning July 1, ((2003)) 2005, the following member
28 contribution rates shall be charged:

29 ((~~(a) 1.18~~)) (i) 1.75 percent for the public employees' retirement
30 system plan 2; and

31 ((~~(b)~~)) (ii) 5.05 percent for the law enforcement officers' and
32 fire fighters' retirement system plan 2.

33 (b) Beginning July 1, 2006, the member contribution rate of 2.50
34 percent for the public employees' retirement system plan 2 shall be
35 charged.

36 (5)(a) Beginning September 1, 2003, the following member
37 contribution rates shall be charged:

1 ~~((a) 0.84))~~ (i) 2.00 percent for the school employees' retirement
2 system plan 2; and

3 ~~((b) 0.87))~~ (ii) 1.00 percent for the teachers' retirement system
4 plan 2.

5 ~~((6) The contribution rates in this section shall be collected
6 through June 30, 2005, for the public employees' retirement system and
7 the law enforcement officers' and fire fighters' retirement system, and
8 August 31st, 2005, for the school employees' retirement system and the
9 teachers' retirement system.~~

10 ~~(7) The July 1, 2003, contribution rate changes provided in this
11 section shall be implemented notwithstanding the thirty day advanced
12 notice provisions of RCW 41.45.067.))~~

13 (b) Beginning September 1, 2006, the following member contribution
14 rates shall be charged:

15 (i) 2.75 percent for the school employees' retirement system plan
16 2; and

17 (ii) 1.30 percent for the teachers' retirement system plan 2.

18 **Sec. 4.** RCW 41.45.060 and 2003 c 294 s 10 and 2003 c 92 s 3 are
19 each reenacted and amended to read as follows:

20 (1) The state actuary shall provide actuarial valuation results
21 based on the economic assumptions and asset value smoothing technique
22 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
23 or 41.45.035.

24 (2) Not later than September 30, 2002, and every two years
25 thereafter, consistent with the economic assumptions and asset value
26 smoothing technique included in RCW 41.45.035 or adopted under RCW
27 41.45.030 or 41.45.035, the council shall adopt and may make changes
28 to:

29 (a) A basic state contribution rate for the law enforcement
30 officers' and fire fighters' retirement system plan 1;

31 (b) Basic employer contribution rates for the public employees'
32 retirement system, the teachers' retirement system, and the Washington
33 state patrol retirement system to be used in the ensuing biennial
34 period; and

35 (c) A basic employer contribution rate for the school employees'
36 retirement system for funding both that system and the public
37 employees' retirement system plan 1.

1 The contribution rates adopted by the council shall be subject to
2 revision by the legislature.

3 (3) The employer and state contribution rates adopted by the
4 council shall be the (~~(level)~~) percentages of pay that are needed:

5 (a) To fully amortize the total costs of the public employees'
6 retirement system plan 1, the teachers' retirement system plan 1, and
7 the law enforcement officers' and fire fighters' retirement system plan
8 1 not later than June 30, 2024; and

9 (b) To also continue to fully fund the public employees' retirement
10 system plans 2 and 3, the teachers' retirement system plans 2 and 3,
11 and the school employees' retirement system plans 2 and 3 in accordance
12 with RCW 41.45.061, 41.45.067, and this section.

13 (4) The aggregate actuarial cost method shall be used to calculate
14 (~~(a combined plan 2 and 3 employer contribution rate and)~~) a Washington
15 state patrol retirement system contribution rate.

16 (5) The projected unit credit method shall be used to calculate a
17 combined plan 2 and 3 employer contribution rate for the public
18 employees' retirement system, the teachers' retirement system, and the
19 school employees' retirement system.

20 (6) The council shall immediately notify the directors of the
21 office of financial management and department of retirement systems of
22 the state and employer contribution rates adopted. The rates shall be
23 effective for the ensuing biennial period, subject to any legislative
24 modifications.

25 (~~(+6+)~~) (7) The director of the department of retirement systems
26 shall collect the rates established in RCW 41.45.053 through June 30,
27 2003. Thereafter, the director shall collect those rates adopted by
28 the council. The rates established in RCW 41.45.053, or by the
29 council, shall be subject to revision by the council.

30 **Sec. 5.** RCW 41.45.060 and 2004 c 242 s 39 are each amended to read
31 as follows:

32 (1) The state actuary shall provide actuarial valuation results
33 based on the economic assumptions and asset value smoothing technique
34 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
35 or 41.45.035.

36 (2) Not later than September 30, 2002, and every two years
37 thereafter, consistent with the economic assumptions and asset value

smoothing technique included in RCW 41.45.035 or adopted under RCW 41.45.030 or 41.45.035, the council shall adopt and may make changes to:

(a) A basic state contribution rate for the law enforcement officers' and fire fighters' retirement system plan 1;

(b) Basic employer contribution rates for the public employees' retirement system, the teachers' retirement system, and the Washington state patrol retirement system to be used in the ensuing biennial period; and

(c) A basic employer contribution rate for the school employees' retirement system and the public safety employees' retirement system for funding both those systems and the public employees' retirement system plan 1.

The contribution rates adopted by the council shall be subject to revision by the legislature.

(3) The employer and state contribution rates adopted by the council shall be the ~~((level))~~ percentages of pay that are needed:

(a) To fully amortize the total costs of the public employees' retirement system plan 1, the teachers' retirement system plan 1, and the law enforcement officers' and fire fighters' retirement system plan 1 not later than June 30, 2024; and

(b) To fully fund the public employees' retirement system plans 2 and 3, the teachers' retirement system plans 2 and 3, the public safety employees' retirement system plan 2, and the school employees' retirement system plans 2 and 3 in accordance with RCW 41.45.061, 41.45.067, and this section.

(4) The aggregate actuarial cost method shall be used to calculate ~~((a combined plan 2 and 3 employer contribution rate and))~~ a Washington state patrol retirement system contribution rate.

(5) The projected unit credit method shall be used to calculate a combined plan 2 and 3 employer contribution rate for the public employees' retirement system, the teachers' retirement system, and the school employees' retirement system.

(6) The council shall immediately notify the directors of the office of financial management and department of retirement systems of the state and employer contribution rates adopted. The rates shall be effective for the ensuing biennial period, subject to any legislative modifications.

1 (~~(+6+)~~) (7) The director shall collect those rates adopted by the
2 council. The rates established in RCW 41.45.054, or by the council,
3 shall be subject to revision by the legislature.

4 NEW SECTION. **Sec. 6.** (1) Sections 1, 3, and 4 of this act are
5 necessary for the immediate preservation of the public peace, health,
6 or safety, or support of the state government and its existing public
7 institutions, and take effect July 1, 2005.

8 (2) Sections 2 and 5 of this act take effect July 1, 2006.

9 NEW SECTION. **Sec. 7.** Sections 1 and 4 of this act expire July 1,
10 2006.

--- END ---

HOUSE BILL 1269

State of Washington

59th Legislature

2005 Regular Session

By Representatives Conway, Curtis, Simpson, Hinkle, Upthegrove, Moeller, Morrell, Green, O'Brien, P. Sullivan, Kenney, McDonald, Campbell, Chase, B. Sullivan, Ormsby, Kilmer, McCoy, Jarrett, Wallace, Serben and Strow; by request of LEOFF Plan 2 Retirement Board

Read first time 01/19/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to permitting members of the law enforcement
2 officers' and fire fighters' retirement system plan 2 to make a
3 one-time purchase of additional service credit; adding a new section to
4 chapter 41.26 RCW; and providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.26 RCW
7 under the subchapter heading "plan 2" to read as follows:

8 (1) A member eligible to retire under RCW 41.26.430 may, at the
9 time of filing a written application for retirement with the
10 department, apply to the department to make a one-time purchase of up
11 to five years of additional service credit.

12 (2) To purchase additional service credit under this section, a
13 member shall pay the actuarial equivalent value of the resulting
14 increase in the member's benefit.

15 (3) Subject to rules adopted by the department, a member purchasing
16 additional service credit under this section may pay all or part of the
17 cost with a lump sum payment, eligible rollover, direct rollover, or
18 trustee-to-trustee transfer from an eligible retirement plan. The
19 department shall adopt rules to ensure that all lump sum payments,

1 rollovers, and transfers comply with the requirements of the internal
2 revenue code and regulations adopted by the internal revenue service.
3 The rules adopted by the department may condition the acceptance of a
4 rollover or transfer from another plan on the receipt of information
5 necessary to enable the department to determine the eligibility of any
6 transferred funds for tax-free rollover treatment or other treatment
7 under federal income tax law.

8 NEW SECTION. **Sec. 2.** This act takes effect July 1, 2006.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	1/24/05	HB 1269

SUMMARY OF BILL:

This bill impacts the Law Enforcement Officers and Firefighters Plan 2 (LEOFF 2) Retirement System by permitting members who are eligible to retire to make a one-time purchase of up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit. A member may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The bill directs the department of retirement systems to promulgate rules to ensure IRS compliance.

Effective Date: July 1, 2006

CURRENT SITUATION:

This option is not currently available to LEOFF 2 members. Current members could, however, purchase an equivalent annuity through a private sector annuity provider. The cost of an annuity will vary from provider to provider and will vary based on the particular annuity product offered.

MEMBERS IMPACTED:

Any future retiree from LEOFF Plan 2 could potentially be impacted by this bill. As of our latest actuarial valuation, there were 14,560 active members in LEOFF Plan 2.

ASSUMPTIONS:

We have assumed that the member will pay the full "actuarial equivalent value of the resulting increase in the member's benefit" which includes the increase in benefit from additional years of service as well as any increased cost associated with purchased service that allows the member to qualify for earlier retirement.

We have further assumed that this benefit proposal will not change future retirement behavior in the affected retirement systems since existing members currently have access to private-sector annuity providers that currently provide similar annuity products. We have also assumed that the full actuarial cost will include the cost of any adverse selection that may develop due to mortality experience and/or interest rate timing by the member.

FISCAL IMPACT:

None.

HOUSE BILL 1270

State of Washington

59th Legislature

2005 Regular Session

By Representatives Curtis, Simpson, Conway, Hinkle, Upthegrove, Morrell, Moeller, Green, O'Brien, P. Sullivan, McDonald, Campbell, Chase, B. Sullivan, Ormsby, Kilmer, McCoy, Jarrett, Serben and Strow; by request of LEOFF Plan 2 Retirement Board

Read first time 01/19/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to suspending a retirement allowance upon
2 reemployment; amending RCW 41.26.500 and 41.26.500; providing an
3 effective date; providing an expiration date; and declaring an
4 emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.26.500 and 1998 c 341 s 604 are each amended to
7 read as follows:

8 (1) ~~((No))~~ Except under subsection (3) of this section, a retiree
9 under the provisions of plan 2 shall not be eligible to receive such
10 retiree's monthly retirement allowance if he or she is employed in an
11 eligible position as defined in RCW 41.40.010, 41.32.010, or 41.35.010,
12 or as a law enforcement officer or fire fighter as defined in RCW
13 41.26.030. If a retiree's benefits have been suspended under this
14 section, his or her benefits shall be reinstated when the retiree
15 terminates the employment that caused his or her benefits to be
16 suspended. Upon reinstatement, the retiree's benefits shall be
17 actuarially recomputed pursuant to the rules adopted by the department.

18 (2) The department shall adopt rules implementing this section.

1 (3) A member or retiree who becomes employed in an eligible
2 position as defined in RCW 41.40.010, 41.32.010, or 41.35.010 shall
3 have the option to enter into membership in the corresponding
4 retirement system for that position notwithstanding any provision of
5 RCW 41.04.270. A retiree who elects to enter into plan membership
6 shall have his or her benefits suspended as provided in subsection (1)
7 of this section. A retiree who does not elect to enter into plan
8 membership shall continue to receive his or her benefits without
9 interruption.

10 **Sec. 2.** RCW 41.26.500 and 2004 c 242 s 54 are each amended to read
11 as follows:

12 (1) ~~((No))~~ Except under subsection (3) of this section, a retiree
13 under the provisions of plan 2 shall not be eligible to receive such
14 retiree's monthly retirement allowance if he or she is employed in an
15 eligible position as defined in RCW 41.40.010, 41.32.010, 41.37.010, or
16 41.35.010, or as a law enforcement officer or fire fighter as defined
17 in RCW 41.26.030. If a retiree's benefits have been suspended under
18 this section, his or her benefits shall be reinstated when the retiree
19 terminates the employment that caused his or her benefits to be
20 suspended. Upon reinstatement, the retiree's benefits shall be
21 actuarially recomputed pursuant to the rules adopted by the department.

22 (2) The department shall adopt rules implementing this section.

23 (3) A member or retiree who becomes employed in an eligible
24 position as defined in RCW 41.40.010, 41.32.010, 41.35.010, or
25 41.37.010 shall have the option to enter into membership in the
26 corresponding retirement system for that position notwithstanding any
27 provision of RCW 41.04.270. A retiree who elects to enter into plan
28 membership shall have his or her benefits suspended as provided in
29 subsection (1) of this section. A retiree who does not elect to enter
30 into plan membership shall continue to receive his or her benefits
31 without interruption.

32 NEW SECTION. **Sec. 3.** Section 1 of this act expires July 1, 2006.

33 NEW SECTION. **Sec. 4.** Section 1 of this act is necessary for the
34 immediate preservation of the public peace, health, or safety, or

1 support of the state government and its existing public institutions,
2 and takes effect immediately.

3 NEW SECTION. **Sec. 5.** Section 2 of this act takes effect July 1,
4 2006.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	2/1/05	HB 1270

SUMMARY OF BILL:

This bill impacts Plan 2 of the Law Enforcement and Firefighters' Retirement System (LEOFF 2). The proposed bill amends the LEOFF 2 provisions to allow members or retirees who continue in public employment following separation or retirement from LEOFF to establish membership in the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS), or the Public Safety Employees' Retirement System (PSERS), notwithstanding the "estoppel rule" in RCW 41.04.270. The bill further provides that a retiree who elects to enter into plan membership shall have his or her benefits suspended, while a retiree who does not elect to enter into plan membership shall continue to receive his or her benefits without interruption.

Effective Date: Immediately, except that provision referencing PSERS is effective July 1, 2006.

CURRENT SITUATION:

The normal retirement age in LEOFF Plan 2 is 53. Generally (with some exceptions), LEOFF Plan 2 retirees and members eligible to retire are prohibited by the estoppel rule from becoming members of a second public retirement system if the retiree/member has accumulated more than 15 years of service credit. LEOFF Plan 2 retirees and members eligible to retire that have accumulated less than 15 years of service credit may be eligible for membership in another public retirement system, depending on the membership rules of the specific system.

MEMBERS IMPACTED:

All current and future LEOFF Plan 2 retirees may be affected by this bill. As of our latest valuation, there are 14,560 active, 439 terminated vested, and 300 retired members of LEOFF Plan 2.

ASSUMPTIONS:

We assume the provisions of this bill will not influence long-term retirement behavior in LEOFF 2.

FISCAL IMPACT:

None.

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	2/1/05	HB 1270

SUMMARY OF BILL:

This bill impacts Plan 2 of the Law Enforcement and Firefighters' Retirement System (LEOFF 2). The proposed bill amends the LEOFF 2 provisions to allow members or retirees who continue in public employment following separation or retirement from LEOFF to establish membership in the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS), or the Public Safety Employees' Retirement System (PSERS), notwithstanding the "estoppel rule" in RCW 41.04.270. The bill further provides that a retiree who elects to enter into plan membership shall have his or her benefits suspended, while a retiree who does not elect to enter into plan membership shall continue to receive his or her benefits without interruption.

Effective Date: Immediately, except that provision referencing PSERS is effective July 1, 2006.

CURRENT SITUATION:

The normal retirement age in LEOFF Plan 2 is 53. Generally (with some exceptions), LEOFF Plan 2 retirees and members eligible to retire are prohibited by the estoppel rule from becoming members of a second public retirement system if the retiree/member has accumulated more than 15 years of service credit. LEOFF Plan 2 retirees and members eligible to retire that have accumulated less than 15 years of service credit may be eligible for membership in another public retirement system, depending on the membership rules of the specific system.

MEMBERS IMPACTED:

All current and future LEOFF Plan 2 retirees may be affected by this bill. As of our latest valuation, there are 14,560 active, 439 terminated vested, and 300 retired members of LEOFF Plan 2.

ASSUMPTIONS:

We assume the provisions of this bill will not influence long-term retirement behavior in LEOFF 2.

FISCAL IMPACT:

None.

HOUSE BILL 1271

State of Washington

59th Legislature

2005 Regular Session

By Representatives Simpson, Curtis, Conway, Hinkle, Morrell, Moeller, Green, O'Brien, P. Sullivan, Kenney, McDonald, Campbell, Chase, B. Sullivan, Ormsby, Kilmer, McCoy, Jarrett, Serben and Strow; by request of LEOFF Plan 2 Retirement Board

Read first time 01/19/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to receiving a disability allowance under the law
2 enforcement officers' and fire fighters' retirement system, plan 2;
3 amending RCW 41.26.470; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.26.470 and 2004 c 4 s 1 are each amended to read as
6 follows:

7 (1) A member of the retirement system who becomes totally
8 incapacitated for continued employment by an employer as determined by
9 the director shall be eligible to receive an allowance under the
10 provisions of RCW 41.26.410 through 41.26.550. Such member shall
11 receive a monthly disability allowance computed as provided for in RCW
12 41.26.420 and shall have such allowance actuarially reduced to reflect
13 the difference in the number of years between age at disability and the
14 attainment of age fifty-three, except under subsection (7) of this
15 section.

16 (2) Any member who receives an allowance under the provisions of
17 this section shall be subject to such comprehensive medical
18 examinations as required by the department. If such medical
19 examinations reveal that such a member has recovered from the

1 incapacitating disability and the member is no longer entitled to
2 benefits under Title 51 RCW, the retirement allowance shall be canceled
3 and the member shall be restored to duty in the same civil service
4 rank, if any, held by the member at the time of retirement or, if
5 unable to perform the duties of the rank, then, at the member's
6 request, in such other like or lesser rank as may be or become open and
7 available, the duties of which the member is then able to perform. In
8 no event shall a member previously drawing a disability allowance be
9 returned or be restored to duty at a salary or rate of pay less than
10 the current salary attached to the rank or position held by the member
11 at the date of the retirement for disability. If the department
12 determines that the member is able to return to service, the member is
13 entitled to notice and a hearing. Both the notice and the hearing
14 shall comply with the requirements of chapter 34.05 RCW, the
15 Administrative Procedure Act.

16 (3) Those members subject to this chapter who became disabled in
17 the line of duty on or after July 23, 1989, and who receive benefits
18 under RCW 41.04.500 through 41.04.530 or similar benefits under RCW
19 41.04.535 shall receive or continue to receive service credit subject
20 to the following:

21 (a) No member may receive more than one month's service credit in
22 a calendar month.

23 (b) No service credit under this section may be allowed after a
24 member separates or is separated without leave of absence.

25 (c) Employer contributions shall be paid by the employer at the
26 rate in effect for the period of the service credited.

27 (d) Employee contributions shall be collected by the employer and
28 paid to the department at the rate in effect for the period of service
29 credited.

30 (e) State contributions shall be as provided in RCW 41.45.060 and
31 41.45.067.

32 (f) Contributions shall be based on the regular compensation which
33 the member would have received had the disability not occurred.

34 (g) The service and compensation credit under this section shall be
35 granted for a period not to exceed six consecutive months.

36 (h) Should the legislature revoke the service credit authorized
37 under this section or repeal this section, no affected employee is
38 entitled to receive the credit as a matter of contractual right.

1 (4)(a) If the recipient of a monthly retirement allowance under
2 this section dies before the total of the retirement allowance paid to
3 the recipient equals the amount of the accumulated contributions at the
4 date of retirement, then the balance shall be paid to the member's
5 estate, or such person or persons, trust, or organization as the
6 recipient has nominated by written designation duly executed and filed
7 with the director, or, if there is no such designated person or persons
8 still living at the time of the recipient's death, then to the
9 surviving spouse, or, if there is neither such designated person or
10 persons still living at the time of his or her death nor a surviving
11 spouse, then to his or her legal representative.

12 (b) If a recipient of a monthly retirement allowance under this
13 section died before April 27, 1989, and before the total of the
14 retirement allowance paid to the recipient equaled the amount of his or
15 her accumulated contributions at the date of retirement, then the
16 department shall pay the balance of the accumulated contributions to
17 the member's surviving spouse or, if there is no surviving spouse, then
18 in equal shares to the member's children. If there is no surviving
19 spouse or children, the department shall retain the contributions.

20 (5) Should the disability retirement allowance of any disability
21 beneficiary be canceled for any cause other than reentrance into
22 service or retirement for service, he or she shall be paid the excess,
23 if any, of the accumulated contributions at the time of retirement over
24 all payments made on his or her behalf under this chapter.

25 (6) A member who becomes disabled in the line of duty, and who
26 ceases to be an employee of an employer except by service or disability
27 retirement, may request a refund of one hundred fifty percent of the
28 member's accumulated contributions. Any accumulated contributions
29 attributable to restorations made under RCW 41.50.165(2) shall be
30 refunded at one hundred percent. A person in receipt of this benefit
31 is a retiree.

32 (7)(a) A member who becomes disabled in the line of duty shall be
33 entitled to receive a minimum retirement allowance equal to ten percent
34 of such member's final average salary. The member shall additionally
35 receive a retirement allowance equal to two percent of such member's
36 average final salary for each year of service beyond five(~~(, and shall~~
37 ~~have the allowance actuarially reduced to reflect the difference in the~~
38 ~~number of years between age at disability and the attainment of age~~

1 ~~fifty-three~~)). An additional benefit shall not result in a total
2 monthly benefit greater than that provided in subsection (1) of this
3 section.

4 (b) A member who is totally disabled in the line of duty is
5 entitled to receive a retirement allowance equal to seventy percent of
6 such member's final average salary. A member shall be considered
7 totally disabled if he or she is unable to perform any substantial
8 gainful activity due to a physical or mental condition that may be
9 expected to result in death or that has lasted or is expected to last
10 at least twelve months. Substantial gainful activity is defined as
11 average earnings of no more than eight hundred ten dollars a month in
12 2004 adjusted annually for inflation as determined by the director.

13 NEW SECTION. **Sec. 2.** This act is necessary for the immediate
14 preservation of the public peace, health, or safety, or support of the
15 state government and its existing public institutions, and takes effect
16 immediately.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	1/27/05	HB 1271

SUMMARY OF BILL:

This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by removing the actuarial reduction for a duty disability benefit, and establishing a total disability benefit equal to seventy percent of a member's final average salary if the member is unable to perform any substantial gainful activity due to a physical or mental condition that may be expected to result in death or that has lasted or is expected to last at least twelve months. Substantial gainful activity is defined as average earnings of no more than eight hundred ten dollars a month in 2004 and indexed to inflation.

Effective Date: Immediately upon signing.

CURRENT SITUATION:

Currently, LEOFF 2 members who experience a duty disability may request a refund of one hundred fifty percent of their accumulated contributions. Alternately, they may be eligible to receive a minimum retirement allowance equal to ten percent of their final average salary plus an additional allowance equal to two percent of their average final salary for each year of service beyond five.

MEMBERS IMPACTED:

We estimate that all of the 14,560 active members of this system, as well as all future active members, could be affected by this bill. For a typical member, currently about 40 years of age with 11 years of service, an annual salary of \$66,000, and final average salary of \$61,000, the increase in annual disability benefits are shown below:

Current disability provision = 2% of average final compensation per year of service, actuarially reduced
= $2\% \times \$61,000 \times 11 \times 0.3059 = \$4,105$

Proposed disability provision, non-duty related = 2% of average final compensation per year of service, actuarially reduced (same as current provision) = $2\% \times \$61,000 \times 11 \times 0.3059 = \$4,105$ per year

Proposed disability provision, duty-related, occupational disability = 2% of average final compensation per year of service, no actuarial reduction = $2\% \times \$61,000 \times 11 = \$13,420$

Proposed disability provision, duty-related, total disability = 70% of average final compensation, no actuarial reduction = $70\% \times \$61,000 = \$42,700$

We expect that in the first year after the effective date, approximately 11 members would have duty-related total disabilities, and that about 48 members would have occupational duty-related disabilities.

ASSUMPTIONS:

The costs depend on our assumptions for the probability of disability and post-disablement mortality. This includes assumptions for total disability, occupational disability, and duty-related disability. We needed to increase our existing assumptions for rates of disability because currently members who become disabled may elect to receive terminated vested benefits or retirement benefits because the disability benefits are the actuarial equivalent of those benefits. The removal of the actuarial equivalent reduction factor or the availability of the tax-free 70% of pay benefit would change members' selection of benefits.

We changed our disability assumption to use rates based on the disability rates used by the Colorado Fire and Police Pension Association Death and Disability Fund for their January 1, 2004 valuation prepared by Mellon. We assume that 18% of all disabilities are total disabilities and 82% are occupational disabilities (the inability to continue working in law enforcement or firefighting). We further assume a varying ratio of duty-related disabilities to total disabilities, based on age, using 85% at the average at of 40 and, ratios higher than 85% at earlier ages and ratios lower than 85% at higher ages. This assumption reflects the nature of work assignments for older members compared to younger members, in which it is anticipated that younger members are more likely to be in a situation that could lead to a duty-related disability.

Otherwise we used the same assumptions as disclosed in the 2003 valuation report. We did not change our assumption for post-disablement mortality (although the mortality experience for those severely disabled would be expected to be less favorable than for those with occupational disabilities). Also, we did not include any waiting period for benefit commencement.

We used geometric interpolation for the both the disability rates and the percentages of duty-related disabilities in between the following ages:

Age	Annual Disability Rate per 1,000 Members	Duty Disability percent assumption
20	1.01	95%
30	1.28	90%
40	2.47	85%
45	3.36	80%
50	11.76	75%
55	28.91	70%

For example, for a 55 year old member, we used a rate of 70% of 18% of 0.0289, or 0.003643, for total disability and 70% of 82% of 0.0289, or 0.016594, for occupational. A 40 year old member would have a total disability rate of $0.00247 \times 85\% \times 18\% = 0.000378$, and an occupational disability rate of $0.00247 \times 85\% \times 82\% = 0.001722$.

We reduced our decrements from other causes such as termination and retirement to be consistent with the higher disability rates. The total number of expected members leaving the system each year remained the same. In other words, we shifted some members for the category of termination or retirement to disability.

We assumed that disability rates would continue past eligibility for early and normal retirement. We considered but did not include any liability for members who might choose a taxable retirement benefit based on long service, such as greater than 40 years, over the 70% of pay tax-free disability benefit. In other words, because the 70% is tax-free, we assumed that members would choose to take this disability benefit instead of a greater retirement benefit that is taxable.

We changed the assumptions to determine the base liabilities first, then we added the proposed disability benefits. With everything else being equal, using higher disability rates would reduce the plan liabilities, because the mortality experience of disabled pensioners is less favorable than the experience of healthy pensioners. The cost of the proposed benefit improvement is based on the difference in the liabilities after the assumption change.

FISCAL IMPACT:

Description:

Disability benefits have a significant cost for members of this system because the experience of the system has shown that members begin their careers at an early age and often work until retirement. The very low turnover makes the decrements due to disability more significant. Even though disability rates start very low at the younger ages, most members would be assumed to remain active in the system until they reach the later ages with the significantly higher disability rates.

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

		System: Law Enforcement Officers' and Firefighters'		
<i>(Dollars in Millions)</i>		Current	Increase	Total
Actuarial Present Value of Projected Benefits		\$4,382.92	\$94.41	\$4,477.33
(The Value of the Total Commitment to all Current Members)				
Unfunded Actuarial Accrued Liability		N/A	N/A	N/A
(The Portion of the Plan 1 Liability that is Amortized at 2024)				
Unfunded Liability (PBO)		(\$546.57)	\$49.65	(\$496.92)
(The Value of the Total Commitment to all Current Members Attributable to Past Service)				

Increase in Contribution Rates: (Effective 9/1/05)

Current Members

Employee	0.40%
Employer	0.24%
State	0.16%

New Entrants*

Employee	0.28%
Employer	0.17%
State	0.11%

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Costs (in Millions):	<u>LEOFF</u>
2005-2007	
State:	
General Fund	\$3.8
Non-General Fund	<u>\$0.0</u>
Total State	\$3.8
Local Government	\$5.7
Total Employer	\$9.5
Total Employee	\$9.5
2007-2009	
State:	
General Fund	\$4.2
Non-General Fund	<u>\$0.0</u>
Total State	\$4.2
Local Government	\$6.3
Total Employer	\$10.5
Total Employee	\$10.5
2005-2030	
State:	
General Fund	\$84.2
Non-General Fund	<u>\$0.0</u>
Total State	\$84.2
Local Government	\$126.3
Total Employer	\$210.5
Total Employee	\$210.5

State Actuary's Comments:

The costs developed in this fiscal note depend on a strict application of the proposed definitions of total and occupational duty-related disability. If in practice the determination of disabled status is based on a lower standard of disability, the cost of this proposed benefit would increase.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2003 actuarial valuation report of the Law Enforcement Officers' and Fire Fighters' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2005 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.
8. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

HOUSE BILL 1520

State of Washington

59th Legislature

2005 Regular Session

By Representatives Cody, O'Brien, Hunt, Conway, Armstrong, Grant, Appleton, Williams, Green, Linville, Darneille, Campbell, Miloscia, Kagi, Schual-Berke, Flannigan, Morrell, McDonald, Simpson, Kenney and Moeller

Read first time 01/26/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to participating in insurance plans and contracts
2 by separated plan 2 members of certain retirement systems; and amending
3 RCW 41.05.011.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.05.011 and 2001 c 165 s 2 are each amended to read
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in
8 this section shall apply throughout this chapter.

9 (1) "Administrator" means the administrator of the authority.

10 (2) "State purchased health care" or "health care" means medical
11 and health care, pharmaceuticals, and medical equipment purchased with
12 state and federal funds by the department of social and health
13 services, the department of health, the basic health plan, the state
14 health care authority, the department of labor and industries, the
15 department of corrections, the department of veterans affairs, and
16 local school districts.

17 (3) "Authority" means the Washington state health care authority.

18 (4) "Insuring entity" means an insurer as defined in chapter 48.01

1 RCW, a health care service contractor as defined in chapter 48.44 RCW,
2 or a health maintenance organization as defined in chapter 48.46 RCW.

3 (5) "Flexible benefit plan" means a benefit plan that allows
4 employees to choose the level of health care coverage provided and the
5 amount of employee contributions from among a range of choices offered
6 by the authority.

7 (6) "Employee" includes all full-time and career seasonal employees
8 of the state, whether or not covered by civil service; elected and
9 appointed officials of the executive branch of government, including
10 full-time members of boards, commissions, or committees; and includes
11 any or all part-time and temporary employees under the terms and
12 conditions established under this chapter by the authority; justices of
13 the supreme court and judges of the court of appeals and the superior
14 courts; and members of the state legislature or of the legislative
15 authority of any county, city, or town who are elected to office after
16 February 20, 1970. "Employee" also includes: (a) Employees of a
17 county, municipality, or other political subdivision of the state if
18 the legislative authority of the county, municipality, or other
19 political subdivision of the state seeks and receives the approval of
20 the authority to provide any of its insurance programs by contract with
21 the authority, as provided in RCW 41.04.205; (b) employees of employee
22 organizations representing state civil service employees, at the option
23 of each such employee organization, and, effective October 1, 1995,
24 employees of employee organizations currently pooled with employees of
25 school districts for the purpose of purchasing insurance benefits, at
26 the option of each such employee organization; and (c) employees of a
27 school district if the authority agrees to provide any of the school
28 districts' insurance programs by contract with the authority as
29 provided in RCW 28A.400.350.

30 (7) "Board" means the public employees' benefits board established
31 under RCW 41.05.055.

32 (8) "Retired or disabled school employee" means:

33 (a) Persons who separated from employment with a school district or
34 educational service district and are receiving a retirement allowance
35 under chapter 41.32 or 41.40 RCW as of September 30, 1993;

36 (b) Persons who separate from employment with a school district or
37 educational service district on or after October 1, 1993, and

1 immediately upon separation receive a retirement allowance under
2 chapter 41.32, 41.35, or 41.40 RCW;

3 (c) Persons who separate from employment with a school district or
4 educational service district due to a total and permanent disability,
5 and are eligible to receive a deferred retirement allowance under
6 chapter 41.32, 41.35, or 41.40 RCW.

7 (9) "Benefits contribution plan" means a premium only contribution
8 plan, a medical flexible spending arrangement, or a cafeteria plan
9 whereby state and public employees may agree to a contribution to
10 benefit costs which will allow the employee to participate in benefits
11 offered pursuant to 26 U.S.C. Sec. 125 or other sections of the
12 internal revenue code.

13 (10) "Salary" means a state employee's monthly salary or wages.

14 (11) "Participant" means an individual who fulfills the eligibility
15 and enrollment requirements under the benefits contribution plan.

16 (12) "Plan year" means the time period established by the
17 authority.

18 (13) "Separated employees" means persons who separate from
19 employment with an employer as defined in:

20 (a)(i) RCW 41.32.010(11) on or after July 1, 1996; or

21 ((+b+)) (ii) RCW 41.35.010 on or after September 1, 2000; or

22 ((+e+)) (iii) RCW 41.40.010 on or after March 1, 2002;

23 and who are at least age fifty-five and have at least ten years of
24 service under the teachers' retirement system plan 3 as defined in RCW
25 41.32.010(40), the Washington school employees' retirement system plan
26 3 as defined in RCW 41.35.010, or the public employees' retirement
27 system plan 3 as defined in RCW 41.40.010; or

28 (b) For the purposes of RCW 41.05.080:

29 (i) RCW 41.32.010(11) on or after the effective date of this act;
30 or

31 (ii) RCW 41.35.010 on or after the effective date of this act; or

32 (iii) RCW 41.40.010 on or after March 1, 2002;

33 and who are at least age fifty-five and have at least ten years of
34 service under the teachers' retirement system plan 2 as defined in RCW
35 41.32.010, the Washington school employees' retirement system plan 2 as
36 defined in RCW 41.35.010, or the public employees' retirement system
37 plan 2 as defined in RCW 41.40.010.

1 (14) "Emergency service personnel killed in the line of duty" means
2 law enforcement officers and fire fighters as defined in RCW 41.26.030,
3 and reserve officers and fire fighters as defined in RCW 41.24.010 who
4 die as a result of injuries sustained in the course of employment as
5 determined consistent with Title 51 RCW by the department of labor and
6 industries.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	2/2/05	HB 1520/SB 5520

SUMMARY OF BILL:

This bill impacts the Public Employees' Retirement System Plan 2 (PERS 2), School Employees' Retirement System Plan 2 (SERS 2), and Teachers' Retirement System Plan 2 (TRS 2) by allowing members who separate and are at least age 55 and have at least 10 years of service to continue to participate in their employers' insurance plans and contracts if that participation is selected immediately upon separation from employment. Eligibility for participation would be prospective for SERS 2 and TRS 2 members who separate, but retroactive for PERS 2 members who have separated since March 1, 2002.

Effective Date: 90 days after session.

CURRENT SITUATION:

Currently, all PERS, SERS, and TRS retirees are allowed to continue participating in their employers' insurance plans and contracts if that participation is selected immediately upon retirement. Only PERS 3, SERS 3, and TRS 3 members who separate, i.e. leave employment before retirement, and are at least age 55 and have at least 10 years of service, are allowed to continue participating in their employers' insurance plans and contracts if that participation is selected immediately upon separation from employment.

MEMBERS IMPACTED:

There is no impact on the pension benefits provided to the member. As of September 30, 2003, there are 117,262 active PERS 2; 7,637 active TRS 2; 21,504 active SERS 2; and 532 terminated vested PERS 2 members who may potentially be affected by this bill.

ASSUMPTIONS:

We expect no change in future termination or retirement rates for plan 2 members as a result of this bill.

FISCAL IMPACT:

None.

HOUSE BILL 1521

State of Washington

59th Legislature

2005 Regular Session

By Representatives Simpson, O'Brien, Hunt, Appleton, Armstrong, Grant, P. Sullivan, Williams, Linville, Green, Cody, Darneille, Campbell, Miloscia, Kagi, Schual-Berke, Flannigan, Morrell, McDonald, Lovick, Chase and Santos

Read first time 01/26/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to purchasing service credit lost due to injury;
2 and adding a new section to chapter 41.40 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
5 under the subchapter heading "provisions applicable to plan 1, plan 2,
6 and plan 3" to read as follows:

7 (1) A member who is injured while acting in the course of
8 employment, is unable to work in an eligible position, and is receiving
9 a benefit under Title 51 RCW may purchase lost service credit under
10 this section.

11 (2) A member under subsection (1) of this section is entitled to
12 retirement system service credit for up to two years.

13 (a) The member qualifies for service credit under this subsection
14 if:

15 (i) Within ninety days of when the member is able to return to work
16 and benefits under Title 51 RCW have ceased, the member applies for
17 reemployment with the employer who employed the member immediately
18 prior to the member incurring injury; and

1 (ii) The member makes the required employee contributions within
2 five years of resumption of service in any eligible position or prior
3 to retirement, whichever comes sooner; or

4 (iii) Prior to retirement and not within ninety days of the date
5 under (a)(i) of this subsection or five years of resumption of service
6 the member pays the amount required under RCW 41.50.165(2).

7 (b) Upon receipt of member contributions under (a)(ii) of this
8 subsection, the department shall establish the member's service credit
9 and shall bill the employer at the time of the injury for its
10 contribution for the period of lost service credit, plus interest as
11 determined by the department.

12 (c) The contributions required under (a)(ii) of this subsection
13 shall be based on the compensation the member would have earned if not
14 injured, or if that cannot be estimated with reasonable certainty, the
15 compensation reported for the member in the year prior to when the
16 injury occurred.

--- END ---

HOUSE BILL 1522

State of Washington

59th Legislature

2005 Regular Session

By Representatives Hunt, Armstrong, O'Brien, Jarrett, P. Sullivan, Grant, Williams, Linville, Appleton, Wood, Green, Campbell, Hudgins, Darneille, Miloscia, Simpson, Morrell, Lovick, Chase, Woods, Kenney, Talcott, Dunshee and Ormsby

Read first time 01/26/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to military service credit; amending RCW 41.32.810,
2 41.35.470, and 41.40.710; and reenacting and amending RCW 41.04.005.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 41.32.810 and 1996 c 61 s 2 are each amended to read
5 as follows:

6 (1) A member who is on a paid leave of absence authorized by a
7 member's employer shall continue to receive service credit as provided
8 for under the provisions of RCW 41.32.755 through 41.32.825.

9 (2) A member who receives compensation from an employer while on an
10 authorized leave of absence to serve as an elected official of a labor
11 organization, and whose employer is reimbursed by the labor
12 organization for the compensation paid to the member during the period
13 of absence, may also be considered to be on a paid leave of absence.
14 This subsection shall only apply if the member's leave of absence is
15 authorized by a collective bargaining agreement that provides that the
16 member retains seniority rights with the employer during the period of
17 leave. The earnable compensation reported for a member who establishes
18 service credit under this subsection may not be greater than the salary

1 paid to the highest paid job class covered by the collective bargaining
2 agreement.

3 (3) Except as specified in subsection (6) of this section, a member
4 shall be eligible to receive a maximum of two years service credit
5 during a member's entire working career for those periods when a member
6 is on an unpaid leave of absence authorized by an employer. Such
7 credit may be obtained only if the member makes both the employer and
8 member contributions plus interest as determined by the department for
9 the period of the authorized leave of absence within five years of
10 resumption of service or prior to retirement whichever comes sooner.

11 (4) If a member fails to meet the time limitations of subsection
12 (3) of this section, the member may receive a maximum of two years of
13 service credit during a member's working career for those periods when
14 a member is on unpaid leave of absence authorized by an employer. This
15 may be done by paying the amount required under RCW 41.50.165(2) prior
16 to retirement.

17 (5) For the purpose of subsection (3) of this section, ~~((the~~
18 ~~contribution shall not include the contribution for the unfunded~~
19 ~~supplemental present value as required by RCW 41.32.775.))~~ the
20 contributions required shall be based on the average of the member's
21 earnable compensation at both the time the authorized leave of absence
22 was granted and the time the member resumed employment.

23 ~~(6) ((A member who leaves the employ of an employer to enter the~~
24 ~~armed forces of the United States shall be entitled to retirement~~
25 ~~system service credit for up to five years of military service. This~~
26 ~~subsection shall be administered in a manner consistent with the~~
27 ~~requirements of the federal uniformed services employment and~~
28 ~~reemployment rights act.~~

29 ~~(a) The member qualifies for service credit under this subsection~~
30 ~~if:~~

31 ~~(i) Within ninety days of the member's honorable discharge from the~~
32 ~~United States armed forces, the member applies for reemployment with~~
33 ~~the employer who employed the member immediately prior to the member~~
34 ~~entering the United States armed forces; and~~

35 ~~(ii) The member makes the employee contributions required under RCW~~
36 ~~41.32.775 within five years of resumption of service or prior to~~
37 ~~retirement, whichever comes sooner; or~~

1 ~~(iii) Prior to retirement and not within ninety days of the~~
2 ~~member's honorable discharge or five years of resumption of service the~~
3 ~~member pays the amount required under RCW 41.50.165(2).~~

4 ~~(b) Upon receipt of member contributions under (a)(ii) of this~~
5 ~~subsection, the department shall establish the member's service credit~~
6 ~~and shall bill the employer for its contribution required under RCW~~
7 ~~41.32.775 for the period of military service, plus interest as~~
8 ~~determined by the department.~~

9 ~~(c) The contributions required under (a)(ii) of this subsection~~
10 ~~shall be based on the compensation the member would have earned if not~~
11 ~~on leave, or if that cannot be estimated with reasonable certainty, the~~
12 ~~compensation reported for the member in the year prior to when the~~
13 ~~member went on military leave.))~~ A member who has served or shall serve
14 on active federal service in the military or naval forces of the United
15 States and who left or shall leave an employer to enter such service
16 shall be deemed to be on military leave of absence if he or she has
17 resumed or shall resume employment as an employee within one year from
18 termination.

19 (7) If he or she has applied or shall apply for reinstatement of
20 employment, within one year from termination of the military service,
21 and is refused employment for reasons beyond his or her control, he or
22 she shall, upon resumption of service within ten years have such
23 service credited to him or her.

24 (8) In any event, after completing twenty-five years of creditable
25 service, any member may have service in the armed forces credited to
26 him or her as a member whether or not he or she left the employ of an
27 employer to enter the armed service: PROVIDED, That in no instance,
28 described in this section, shall military service in excess of five
29 years be credited: AND PROVIDED FURTHER, That in each instance the
30 member must restore all withdrawn accumulated contributions, which
31 restoration must be completed within five years of membership service
32 following the first resumption of employment or complete twenty-five
33 years of creditable service: AND PROVIDED FURTHER, That this section
34 will not apply to any individual, not a veteran within the meaning of
35 RCW 41.04.005: AND PROVIDED FURTHER, That in no instance, described in
36 this section, shall military service be credited to any member who is
37 receiving full military retirement benefits pursuant to Title 10 United
38 States Code.

1 **Sec. 2.** RCW 41.35.470 and 1998 c 341 s 108 are each amended to
2 read as follows:

3 (1) A member who is on a paid leave of absence authorized by a
4 member's employer shall continue to receive service credit as provided
5 for under the provisions of RCW 41.35.400 through 41.35.599.

6 (2) A member who receives compensation from an employer while on an
7 authorized leave of absence to serve as an elected official of a labor
8 organization, and whose employer is reimbursed by the labor
9 organization for the compensation paid to the member during the period
10 of absence, may also be considered to be on a paid leave of absence.
11 This subsection shall only apply if the member's leave of absence is
12 authorized by a collective bargaining agreement that provides that the
13 member retains seniority rights with the employer during the period of
14 leave. The compensation earnable reported for a member who establishes
15 service credit under this subsection may not be greater than the salary
16 paid to the highest paid job class covered by the collective bargaining
17 agreement.

18 (3) Except as specified in subsection (4) of this section, a member
19 shall be eligible to receive a maximum of two years service credit
20 during a member's entire working career for those periods when a member
21 is on an unpaid leave of absence authorized by an employer. Such
22 credit may be obtained only if:

23 (a) The member makes both the plan 2 employer and member
24 contributions plus interest as determined by the department for the
25 period of the authorized leave of absence within five years of
26 resumption of service or prior to retirement whichever comes sooner; or

27 (b) If not within five years of resumption of service but prior to
28 retirement, pay the amount required under RCW 41.50.165(2).

29 The contributions required under (a) of this subsection shall be
30 based on the average of the member's compensation earnable at both the
31 time the authorized leave of absence was granted and the time the
32 member resumed employment.

33 ~~(4) ((A member who leaves the employ of an employer to enter the~~
34 ~~armed forces of the United States shall be entitled to retirement~~
35 ~~system service credit for up to five years of military service. This~~
36 ~~subsection shall be administered in a manner consistent with the~~
37 ~~requirements of the federal uniformed services employment and~~
38 ~~reemployment rights act.~~

1 ~~(a) The member qualifies for service credit under this subsection~~
2 ~~if:~~

3 ~~(i) Within ninety days of the member's honorable discharge from the~~
4 ~~United States armed forces, the member applies for reemployment with~~
5 ~~the employer who employed the member immediately prior to the member~~
6 ~~entering the United States armed forces; and~~

7 ~~(ii) The member makes the employee contributions required under RCW~~
8 ~~41.35.430 within five years of resumption of service or prior to~~
9 ~~retirement, whichever comes sooner; or~~

10 ~~(iii) Prior to retirement and not within ninety days of the~~
11 ~~member's honorable discharge or five years of resumption of service the~~
12 ~~member pays the amount required under RCW 41.50.165(2).~~

13 ~~(b) Upon receipt of member contributions under (a)(ii) of this~~
14 ~~subsection, the department shall establish the member's service credit~~
15 ~~and shall bill the employer for its contribution required under RCW~~
16 ~~41.35.430 for the period of military service, plus interest as~~
17 ~~determined by the department.~~

18 ~~(c) The contributions required under (a)(ii) of this subsection~~
19 ~~shall be based on the compensation the member would have earned if not~~
20 ~~on leave, or if that cannot be estimated with reasonable certainty, the~~
21 ~~compensation reported for the member in the year prior to when the~~
22 ~~member went on military leave.)) A member who has served or shall serve~~
23 ~~on active federal service in the military or naval forces of the United~~
24 ~~States and who left or shall leave an employer to enter such service~~
25 ~~shall be deemed to be on military leave of absence if he or she has~~
26 ~~resumed or shall resume employment as an employee within one year from~~
27 ~~termination.~~

28 (5) If he or she has applied or shall apply for reinstatement of
29 employment, within one year from termination of the military service,
30 and is refused employment for reasons beyond his or her control, he or
31 she shall, upon resumption of service within ten years have such
32 service credited to him or her.

33 (6) In any event, after completing twenty-five years of creditable
34 service, any member may have service in the armed forces credited to
35 him or her as a member whether or not he or she left the employ of an
36 employer to enter the armed service: PROVIDED, That in no instance,
37 described in this section, shall military service in excess of five
38 years be credited: AND PROVIDED FURTHER, That in each instance the

member must restore all withdrawn accumulated contributions, which restoration must be completed within five years of membership service following the first resumption of employment or complete twenty-five years of creditable service: AND PROVIDED FURTHER, That this section will not apply to any individual, not a veteran within the meaning of RCW 41.04.005: AND PROVIDED FURTHER, That in no instance, described in this section, shall military service be credited to any member who is receiving full military retirement benefits pursuant to Title 10 United States Code.

Sec. 3. RCW 41.40.710 and 2000 c 247 s 1106 are each amended to read as follows:

(1) A member who is on a paid leave of absence authorized by a member's employer shall continue to receive service credit as provided for under the provisions of RCW 41.40.610 through 41.40.740.

(2) A member who receives compensation from an employer while on an authorized leave of absence to serve as an elected official of a labor organization, and whose employer is reimbursed by the labor organization for the compensation paid to the member during the period of absence, may also be considered to be on a paid leave of absence. This subsection shall only apply if the member's leave of absence is authorized by a collective bargaining agreement that provides that the member retains seniority rights with the employer during the period of leave. The compensation earnable reported for a member who establishes service credit under this subsection may not be greater than the salary paid to the highest paid job class covered by the collective bargaining agreement.

(3) Except as specified in subsection (4) of this section, a member shall be eligible to receive a maximum of two years service credit during a member's entire working career for those periods when a member is on an unpaid leave of absence authorized by an employer. Such credit may be obtained only if:

(a) The member makes both the plan 2 employer and member contributions plus interest as determined by the department for the period of the authorized leave of absence within five years of resumption of service or prior to retirement whichever comes sooner; or

(b) If not within five years of resumption of service but prior to retirement, pay the amount required under RCW 41.50.165(2).

1 The contributions required under (a) of this subsection shall be
2 based on the average of the member's compensation earnable at both the
3 time the authorized leave of absence was granted and the time the
4 member resumed employment.

5 ~~(4) ((A member who leaves the employ of an employer to enter the~~
6 ~~armed forces of the United States shall be entitled to retirement~~
7 ~~system service credit for up to five years of military service. This~~
8 ~~subsection shall be administered in a manner consistent with the~~
9 ~~requirements of the federal uniformed services employment and~~
10 ~~reemployment rights act.~~

11 ~~(a) The member qualifies for service credit under this subsection~~
12 ~~if:~~

13 ~~(i) Within ninety days of the member's honorable discharge from the~~
14 ~~United States armed forces, the member applies for reemployment with~~
15 ~~the employer who employed the member immediately prior to the member~~
16 ~~entering the United States armed forces; and~~

17 ~~(ii) The member makes the employee contributions required under RCW~~
18 ~~41.45.061 and 41.45.067 within five years of resumption of service or~~
19 ~~prior to retirement, whichever comes sooner; or~~

20 ~~(iii) Prior to retirement and not within ninety days of the~~
21 ~~member's honorable discharge or five years of resumption of service the~~
22 ~~member pays the amount required under RCW 41.50.165(2).~~

23 ~~(b) Upon receipt of member contributions under (a)(ii) of this~~
24 ~~subsection, the department shall establish the member's service credit~~
25 ~~and shall bill the employer for its contribution required under RCW~~
26 ~~41.45.060, 41.45.061, and 41.45.067 for the period of military service,~~
27 ~~plus interest as determined by the department.~~

28 ~~(c) The contributions required under (a)(ii) of this subsection~~
29 ~~shall be based on the compensation the member would have earned if not~~
30 ~~on leave, or if that cannot be estimated with reasonable certainty, the~~
31 ~~compensation reported for the member in the year prior to when the~~
32 ~~member went on military leave.))~~ A member who has served or shall serve
33 on active federal service in the military or naval forces of the United
34 States and who left or shall leave an employer to enter such service
35 shall be deemed to be on military leave of absence if he or she has
36 resumed or shall resume employment as an employee within one year from
37 termination.

1 (5) If he or she has applied or shall apply for reinstatement of
2 employment, within one year from termination of the military service,
3 and is refused employment for reasons beyond his or her control, he or
4 she shall, upon resumption of service within ten years have such
5 service credited to him or her.

6 (6) In any event, after completing twenty-five years of creditable
7 service, any member may have service in the armed forces credited to
8 him or her as a member whether or not he or she left the employ of an
9 employer to enter the armed service: PROVIDED, That in no instance,
10 described in this section, shall military service in excess of five
11 years be credited: AND PROVIDED FURTHER, That in each instance the
12 member must restore all withdrawn accumulated contributions, which
13 restoration must be completed within five years of membership service
14 following the first resumption of employment or complete twenty-five
15 years of creditable service: AND PROVIDED FURTHER, That this section
16 will not apply to any individual, not a veteran within the meaning of
17 RCW 41.04.005: AND PROVIDED FURTHER, That in no instance, described in
18 this section, shall military service be credited to any member who is
19 receiving full military retirement benefits pursuant to Title 10 United
20 States Code.

21 **Sec. 4.** RCW 41.04.005 and 2002 c 292 s 1 and 2002 c 27 s 1 are
22 each reenacted and amended to read as follows:

23 (1) As used in RCW 41.04.005, 41.16.220, 41.20.050, 41.40.170, and
24 28B.15.380 "veteran" includes every person, who at the time he or she
25 seeks the benefits of RCW 41.04.005, 41.16.220, 41.20.050, 41.40.170,
26 or 28B.15.380 has received an honorable discharge or received a
27 discharge for physical reasons with an honorable record and who meets
28 at least one of the following criteria:

29 (a) The person has served between World War I and World War II or
30 during any period of war, as defined in subsection (2) of this section,
31 as either:

32 (i) A member in any branch of the armed forces of the United
33 States;

34 (ii) A member of the women's air forces service pilots;

35 (iii) A U.S. documented merchant mariner with service aboard an
36 oceangoing vessel operated by the war shipping administration, the

1 office of defense transportation, or their agents, from December 7,
2 1941, through December 31, 1946; or

3 (iv) A civil service crewmember with service aboard a U.S. army
4 transport service or U.S. naval transportation service vessel in
5 oceangoing service from December 7, 1941, through December 31, 1946; or

6 (b) The person has received the armed forces expeditionary medal,
7 or marine corps and navy expeditionary medal, for opposed action on
8 foreign soil, for service:

9 (i) In any branch of the armed forces of the United States; or

10 (ii) As a member of the women's air forces service pilots.

11 (2) A "period of war" includes:

12 (a) World War I;

13 (b) World War II;

14 (c) The Korean conflict;

15 (d) The Vietnam era(~~([, which])~~), which means:

16 (i) The period beginning on February 28, 1961, and ending on May 7,
17 1975, in the case of a veteran who served in the Republic of Vietnam
18 during that period;

19 (ii) The period beginning August 5, 1964, and ending on May 7,
20 1975;

21 (e) The Persian Gulf War, which was the period beginning August 2,
22 1990, and ending on the date prescribed by presidential proclamation or
23 law;

24 (f) The period beginning on the date of any future declaration of
25 war by the congress and ending on the date prescribed by presidential
26 proclamation or concurrent resolution of the congress; and

27 (g) The following armed conflicts, if the participant was awarded
28 the respective campaign badge or medal: The crisis in Lebanon; the
29 invasion of Grenada; Panama, Operation Just Cause; Somalia, Operation
30 Restore Hope; Haiti, Operation Uphold Democracy; ~~((and))~~ Bosnia,
31 Operation Joint Endeavor; Afghanistan, Operation Enduring Freedom; and
32 Iraq, Operation Iraqi Freedom.

--- END ---

HOUSE BILL 1564

State of Washington 59th Legislature 2005 Regular Session

By Representatives Lovick, Clements, Ericks, O'Brien and Newhouse

Read first time 01/28/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to raising the mandatory retirement age for members
2 of the Washington state patrol retirement system; and amending RCW
3 43.43.250.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.43.250 and 1982 1st ex.s. c 52 s 26 are each
6 amended to read as follows:

7 (1) Any member who has attained the age of sixty-one years shall be
8 retired on the first day of the calendar month next succeeding that in
9 which said member shall have attained the age of sixty: PROVIDED, That
10 the requirement to retire at age sixty-one shall not apply to a member
11 serving as chief of the Washington state patrol.

12 (2) Any member who has completed twenty-five years of credited
13 service or has attained the age of fifty-five may apply to retire as
14 provided in RCW 43.43.260, by completing and submitting an application
15 form to the department, setting forth at what time the member desires
16 to be retired.

--- END ---

HOUSE BILL 1594

State of Washington

59th Legislature

2005 Regular Session

By Representatives Linville, Skinner, Fromhold, Grant, Halder, Dunshee, Dunn, Santos, Armstrong, Wallace, Morris, Holmquist, Pettigrew, Schindler, Kenney, Morrell, Eickmeyer, Rodne, Upthegrove, Dickerson, Clibborn, Moeller and Hankins

Read first time 01/28/2005. Referred to Committee on Economic Development, Agriculture & Trade.

1 AN ACT Relating to the Washington growing business fund; adding new
2 sections to chapter 43.33A RCW; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** Washington state has many world class
5 companies within its borders producing family wage jobs and benefits.
6 The state continues to be home to entrepreneurs and innovative
7 technologies, however, the future development of many of the state's
8 emerging businesses depends on access to capital.

9 The legislature finds that prudent targeted private equity
10 investment by the state investment board would strengthen the local
11 venture capital infrastructure, increase access to capital for local
12 companies, support emerging businesses, create jobs for Washington
13 citizens, and maximize the investment returns of pension funds.

14 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.33A RCW
15 to read as follows:

16 (1) The state investment board shall establish a fund of no less
17 than five hundred million dollars of the board's investment portfolio
18 in the Washington growing business fund, an account that shall be

1 maintained separately and apart from other money invested by the board.
2 Investments from the account may be made in start-up and expanding
3 businesses based in Washington with a substantial employment base
4 located in the state. These investments may be made directly by the
5 board or through the board's investment advisors, including venture
6 capital firms. The earnings on the Washington growing business fund
7 must be accounted for separately from other investments by the board.

8 (2) The purpose of the Washington growing business fund is to:

9 (a) Increase the capital funds available to minority and women-
10 owned business enterprises based in Washington; and

11 (b) Create jobs and economic opportunities within Washington.

12 (3) Investments under this section must be made in a manner
13 consistent with investment or management criteria established by the
14 board or its executive director. In making investments of money in the
15 Washington growing business fund, the primary investment objective is
16 to maximize the rate of return at a level consistent with the other
17 funds under the control of the board, at a prudent level of risk, as
18 required by RCW 43.33A.110.

19 (a) In choosing among equal investment opportunities that satisfy
20 this primary investment objective, the board shall give priority to
21 those investments from the account that assist start-up and expanding
22 Washington-based businesses.

23 (b) Assets in the fund shall be diversified across different
24 industry sectors and regions of the state, such that the assets are
25 prudently invested and that jobs and economic opportunity are equitably
26 distributed across the entire state and encouraged in those communities
27 which are economically distressed.

28 (4) A management company selected to manage a portion of the
29 Washington growing business fund shall manage the money in the account,
30 subject to the investment policies established by the state investment
31 board, with the care, skill, and diligence required by RCW 43.33A.110.
32 In selecting management companies, the board shall consider the
33 potential company's physical and employment presence in Washington as
34 well as a demonstrable ability to find investment opportunities in
35 communities throughout the state.

36 (5) As used in this section:

37 (a) "Emerging business" means:

- 1 (i) A business with its principal place of business located in this
2 state or with a substantial employment base in Washington;
3 (ii) A business with average annual gross receipts over the last
4 three years not exceeding one million dollars for construction firms
5 and three hundred thousand dollars for nonconstruction firms;
6 (iii) A business with fewer than twenty employees;
7 (iv) An independent business; and
8 (v) A business properly licensed and legally registered in this
9 state.

10 An "emerging business" does not mean a subsidiary or parent company
11 belonging to a group of firms which are owned and controlled by the
12 same individuals which have aggregate annual gross receipts in excess
13 of one million dollars for construction firms or three hundred thousand
14 dollars for nonconstruction firms.

15 (b) "Minority and women-owned business enterprise" means any
16 resident minority business enterprise or women's business enterprise,
17 certified as such by the office of minority and women's business
18 enterprises under chapter 39.19 RCW.

19 (c) "Start-up business" means a Washington business in the act or
20 instance of being set in operation around a technology, product, or
21 service based on a sound business plan.

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.33A RCW
23 to read as follows:

24 The board and its designees must include in their statement of
25 investment principles: The extent, if at all, to which social,
26 environmental, or ethical considerations are taken into account in
27 their selection, retention, and realization of investments; and their
28 policy, if any, in relation to the exercise of rights, including voting
29 rights, attaching to investments.

--- END ---

HOUSE BILL 1634

State of Washington

59th Legislature

2005 Regular Session

By Representatives Grant, Halpern, Walsh, Hankins, Darneille and Haigh

Read first time 01/31/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to allowing terminally ill members to remove
2 themselves from their retirement plan; amending RCW 41.40.023,
3 41.32.010, and 41.35.030; adding new sections to chapter 41.40 RCW;
4 adding new sections to chapter 41.32 RCW; adding new sections to
5 chapter 41.35 RCW; and declaring an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
8 under the subchapter heading "plan 3" to read as follows:

9 (1) Upon application of the member, a member who is diagnosed with
10 a terminal illness shall be removed from membership in the system
11 subject to the following conditions:

12 (a) That the medical adviser, after a medical examination of the
13 member made by or under the direction of the medical adviser, has
14 certified in writing that the member has a terminal illness with a life
15 expectancy of five or fewer years; and

16 (b) That the director concurs in the recommendation of the medical
17 adviser.

18 (2) Members removed from the system shall not make contributions

toward a defined contribution account as defined in chapter 41.34 RCW and shall not accumulate additional service credit.

(3) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to this benefit not granted prior to that amendment or repeal.

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.32 RCW under the subchapter heading "plan 3" to read as follows:

(1) Upon application of the member, a member who is diagnosed with a terminal illness shall be removed from membership in the system subject to the following conditions:

(a) That the medical adviser, after a medical examination of the member made by or under the direction of the medical adviser, has certified in writing that the member has a terminal illness with a life expectancy of five or fewer years; and

(b) That the director concurs in the recommendation of the medical adviser.

(2) Members removed from the system shall not make contributions toward a defined contribution account as defined in chapter 41.34 RCW and shall not accumulate additional service credit.

(3) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to this benefit not granted prior to that amendment or repeal.

NEW SECTION. **Sec. 3.** A new section is added to chapter 41.35 RCW under the subchapter heading "plan 3" to read as follows:

(1) Upon application of the member, a member who is diagnosed with a terminal illness shall be removed from membership in the system subject to the following conditions:

(a) That the medical adviser, after a medical examination of the member made by or under the direction of the medical adviser, has certified in writing that the member has a terminal illness with a life expectancy of five or fewer years; and

(b) That the director concurs in the recommendation of the medical adviser.

(2) Members removed from the system shall not make contributions toward a defined contribution account as defined in chapter 41.34 RCW and shall not accumulate additional service credit.

1 (3) The legislature reserves the right to amend or repeal this
2 section in the future and no member or beneficiary has a contractual
3 right to this benefit not granted prior to that amendment or repeal.

4 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.40 RCW
5 under the subchapter heading "plan 2" to read as follows:

6 (1) Upon application of the member, a member who is diagnosed with
7 a terminal illness shall be removed from the system subject to the
8 following conditions:

9 (a) That the medical adviser, after a medical examination of the
10 member made by or under the direction of the medical adviser, has
11 certified in writing that the member has a terminal illness with a life
12 expectancy of five or fewer years; and

13 (b) That the director concurs in the recommendation of the medical
14 adviser.

15 (2) Members removed from the system shall not make contributions
16 and shall not accumulate additional service credit.

17 (3) The legislature reserves the right to amend or repeal this
18 section in the future and no member or beneficiary has a contractual
19 right to this benefit not granted prior to that amendment or repeal.

20 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.32 RCW
21 under the subchapter heading "plan 2" to read as follows:

22 (1) Upon application of the member, a member who is diagnosed with
23 a terminal illness shall be removed from the system and a refund of the
24 member's accumulated contributions made subject to the following
25 conditions:

26 (a) That the medical adviser, after a medical examination of the
27 member made by or under the direction of the medical adviser, has
28 certified in writing that the member has a terminal illness with a life
29 expectancy of five or fewer years; and

30 (b) That the director concurs in the recommendation of the medical
31 adviser.

32 (2) Members removed from the system shall not make contributions
33 and shall not accumulate additional service credit.

34 (3) The legislature reserves the right to amend or repeal this
35 section in the future and no member or beneficiary has a contractual
36 right to this benefit not granted prior to that amendment or repeal.

1 NEW SECTION. **Sec. 6.** A new section is added to chapter 41.35 RCW
2 under the subchapter heading "plan 2" to read as follows:

3 (1) Upon application of the member, a member who is diagnosed with
4 a terminal illness shall be removed from the system and a refund of the
5 member's accumulated contributions made subject to the following
6 conditions:

7 (a) That the medical adviser, after a medical examination of the
8 member made by or under the direction of the medical adviser, has
9 certified in writing that the member has a terminal illness with a life
10 expectancy of five or fewer years; and

11 (b) That the director concurs in the recommendation of the medical
12 adviser.

13 (2) Members removed from the system shall not make contributions
14 and shall not accumulate additional service credit.

15 (3) The legislature reserves the right to amend or repeal this
16 section in the future and no member or beneficiary has a contractual
17 right to this benefit not granted prior to that amendment or repeal.

18 **Sec. 7.** RCW 41.40.023 and 2001 c 37 s 1 are each amended to read
19 as follows:

20 Membership in the retirement system shall consist of all regularly
21 compensated employees and appointive and elective officials of
22 employers, as defined in this chapter, with the following exceptions:

23 (1) Persons in ineligible positions;

24 (2) Employees of the legislature except the officers thereof
25 elected by the members of the senate and the house and legislative
26 committees, unless membership of such employees be authorized by the
27 said committee;

28 (3)(a) Persons holding elective offices or persons appointed
29 directly by the governor: PROVIDED, That such persons shall have the
30 option of applying for membership during such periods of employment:
31 AND PROVIDED FURTHER, That any persons holding or who have held
32 elective offices or persons appointed by the governor who are members
33 in the retirement system and who have, prior to becoming such members,
34 previously held an elective office, and did not at the start of such
35 initial or successive terms of office exercise their option to become
36 members, may apply for membership to be effective during such term or
37 terms of office, and shall be allowed to establish the service credit

1 applicable to such term or terms of office upon payment of the employee
2 contributions therefor by the employee with interest as determined by
3 the director and employer contributions therefor by the employer or
4 employee with interest as determined by the director: AND PROVIDED
5 FURTHER, That all contributions with interest submitted by the employee
6 under this subsection shall be placed in the employee's individual
7 account in the employee's savings fund and be treated as any other
8 contribution made by the employee, with the exception that any
9 contributions submitted by the employee in payment of the employer's
10 obligation, together with the interest the director may apply to the
11 employer's contribution, shall not be considered part of the member's
12 annuity for any purpose except withdrawal of contributions;

13 (b) A member holding elective office who has elected to apply for
14 membership pursuant to (a) of this subsection and who later wishes to
15 be eligible for a retirement allowance shall have the option of ending
16 his or her membership in the retirement system. A member wishing to
17 end his or her membership under this subsection must file, on a form
18 supplied by the department, a statement indicating that the member
19 agrees to irrevocably abandon any claim for service for future periods
20 served as an elected official. A member who receives more than fifteen
21 thousand dollars per year in compensation for his or her elective
22 service, adjusted annually for inflation by the director, is not
23 eligible for the option provided by this subsection (3)(b);

24 (4) Employees holding membership in, or receiving pension benefits
25 under, any retirement plan operated wholly or in part by an agency of
26 the state or political subdivision thereof, or who are by reason of
27 their current employment contributing to or otherwise establishing the
28 right to receive benefits from any such retirement plan except as
29 follows:

30 (a) In any case where the retirement system has in existence an
31 agreement with another retirement system in connection with exchange of
32 service credit or an agreement whereby members can retain service
33 credit in more than one system, such an employee shall be allowed
34 membership rights should the agreement so provide;

35 (b) An employee shall be allowed membership if otherwise eligible
36 while receiving survivor's benefits;

37 (c) An employee shall not either before or after June 7, 1984, be
38 excluded from membership or denied service credit pursuant to this

1 subsection solely on account of: (i) Membership in the plan created
2 under chapter 2.14 RCW; or (ii) enrollment under the relief and
3 compensation provisions or the pension provisions of the volunteer fire
4 fighters' relief and pension fund under chapter 41.24 RCW;

5 (d) Except as provided in RCW 41.40.109, on or after July 25, 1999,
6 an employee shall not be excluded from membership or denied service
7 credit pursuant to this subsection solely on account of participation
8 in a defined contribution pension plan qualified under section 401 of
9 the internal revenue code;

10 (e) Employees who have been reported in the retirement system prior
11 to July 25, 1999, and who participated during the same period of time
12 in a defined contribution pension plan qualified under section 401 of
13 the internal revenue code and operated wholly or in part by the
14 employer, shall not be excluded from previous retirement system
15 membership and service credit on account of such participation;

16 (5) Patient and inmate help in state charitable, penal, and
17 correctional institutions;

18 (6) "Members" of a state veterans' home or state soldiers' home;

19 (7) Persons employed by an institution of higher learning or
20 community college, primarily as an incident to and in furtherance of
21 their education or training, or the education or training of a spouse;

22 (8) Employees of an institution of higher learning or community
23 college during the period of service necessary to establish eligibility
24 for membership in the retirement plans operated by such institutions;

25 (9) Persons rendering professional services to an employer on a
26 fee, retainer, or contract basis or when the income from these services
27 is less than fifty percent of the gross income received from the
28 person's practice of a profession;

29 (10) Persons appointed after April 1, 1963, by the liquor control
30 board as agency vendors;

31 (11) Employees of a labor guild, association, or organization:
32 PROVIDED, That elective officials and employees of a labor guild,
33 association, or organization which qualifies as an employer within this
34 chapter shall have the option of applying for membership;

35 (12) Retirement system retirees: PROVIDED, That following
36 reemployment in an eligible position, a retiree may elect to
37 prospectively become a member of the retirement system if otherwise
38 eligible;

1 (13) Persons employed by or appointed or elected as an official of
2 a first class city that has its own retirement system: PROVIDED, That
3 any member elected or appointed to an elective office on or after April
4 1, 1971, shall have the option of continuing as a member of this system
5 in lieu of becoming a member of the city system. A member who elects
6 to continue as a member of this system shall pay the appropriate member
7 contributions and the city shall pay the employer contributions at the
8 rates prescribed by this chapter. The city shall also transfer to this
9 system all of such member's accumulated contributions together with
10 such further amounts as necessary to equal all employee and employer
11 contributions which would have been paid into this system on account of
12 such service with the city and thereupon the member shall be granted
13 credit for all such service. Any city that becomes an employer as
14 defined in RCW 41.40.010(4) as the result of an individual's election
15 under this subsection shall not be required to have all employees
16 covered for retirement under the provisions of this chapter. Nothing
17 in this subsection shall prohibit a city of the first class with its
18 own retirement system from: (a) Transferring all of its current
19 employees to the retirement system established under this chapter, or
20 (b) allowing newly hired employees the option of continuing coverage
21 under the retirement system established by this chapter.

22 Notwithstanding any other provision of this chapter, persons
23 transferring from employment with a first class city of over four
24 hundred thousand population that has its own retirement system to
25 employment with the state department of agriculture may elect to remain
26 within the retirement system of such city and the state shall pay the
27 employer contributions for such persons at like rates as prescribed for
28 employers of other members of such system;

29 (14) Employees who (a) are not citizens of the United States, (b)
30 do not reside in the United States, and (c) perform duties outside of
31 the United States;

32 (15) Employees who (a) are not citizens of the United States, (b)
33 are not covered by chapter 41.48 RCW, (c) are not excluded from
34 membership under this chapter or chapter 41.04 RCW, (d) are residents
35 of this state, and (e) make an irrevocable election to be excluded from
36 membership, in writing, which is submitted to the director within
37 thirty days after employment in an eligible position;

1 (16) Employees who are citizens of the United States and who reside
2 and perform duties for an employer outside of the United States:
3 PROVIDED, That unless otherwise excluded under this chapter or chapter
4 41.04 RCW, the employee may apply for membership (a) within thirty days
5 after employment in an eligible position and membership service credit
6 shall be granted from the first day of membership service, and (b)
7 after this thirty-day period, but membership service credit shall be
8 granted only if payment is made for the noncredited membership service
9 under RCW 41.50.165(2), otherwise service shall be from the date of
10 application;

11 (17) The city manager or chief administrative officer of a city or
12 town, other than a retiree, who serves at the pleasure of an appointing
13 authority: PROVIDED, That such persons shall have the option of
14 applying for membership within thirty days from date of their
15 appointment to such positions. Persons serving in such positions as of
16 April 4, 1986, shall continue to be members in the retirement system
17 unless they notify the director in writing prior to December 31, 1986,
18 of their desire to withdraw from membership in the retirement system.
19 A member who withdraws from membership in the system under this section
20 shall receive a refund of the member's accumulated contributions.

21 Persons serving in such positions who have not opted for membership
22 within the specified thirty days, may do so by paying the amount
23 required under RCW 41.50.165(2) for the period from the date of their
24 appointment to the date of acceptance into membership;

25 (18) Persons serving as: (a) The chief administrative officer of
26 a public utility district as defined in RCW 54.16.100; (b) the chief
27 administrative officer of a port district formed under chapter 53.04
28 RCW; or (c) the chief administrative officer of a county who serves at
29 the pleasure of an appointing authority: PROVIDED, That such persons
30 shall have the option of applying for membership within thirty days
31 from the date of their appointment to such positions. Persons serving
32 in such positions as of July 25, 1999, shall continue to be members in
33 the retirement system unless they notify the director in writing prior
34 to December 31, 1999, of their desire to withdraw from membership in
35 the retirement system. A member who withdraws from membership in the
36 system under this section shall receive a refund of the member's
37 accumulated contributions upon termination of employment or as

1 otherwise consistent with the plan's tax qualification status as
2 defined in internal revenue code section 401.

3 Persons serving in such positions who have not opted for membership
4 within the specified thirty days, may do so at a later date by paying
5 the amount required under RCW 41.50.165(2) for the period from the date
6 of their appointment to the date of acceptance into membership;

7 (19) Persons enrolled in state-approved apprenticeship programs,
8 authorized under chapter 49.04 RCW, and who are employed by local
9 governments to earn hours to complete such apprenticeship programs, if
10 the employee is a member of a union-sponsored retirement plan and is
11 making contributions to such a retirement plan or if the employee is a
12 member of a Taft-Hartley retirement plan;

13 (20) Beginning on July 22, 2001, persons employed exclusively as
14 trainers or trainees in resident apprentice training programs operated
15 by housing authorities authorized under chapter 35.82 RCW, (a) if the
16 trainer or trainee is a member of a union-sponsored retirement plan and
17 is making contributions to such a retirement plan or (b) if the
18 employee is a member of a Taft-Hartley retirement plan; and

19 (21) Employees who are removed from membership under section 1 or
20 4 of this act.

21 **Sec. 8.** RCW 41.32.010 and 2003 c 31 s 1 are each amended to read
22 as follows:

23 As used in this chapter, unless a different meaning is plainly
24 required by the context:

25 (1)(a) "Accumulated contributions" for plan 1 members, means the
26 sum of all regular annuity contributions and, except for the purpose of
27 withdrawal at the time of retirement, any amount paid under RCW
28 41.50.165(2) with regular interest thereon.

29 (b) "Accumulated contributions" for plan 2 members, means the sum
30 of all contributions standing to the credit of a member in the member's
31 individual account, including any amount paid under RCW 41.50.165(2),
32 together with the regular interest thereon.

33 (2) "Actuarial equivalent" means a benefit of equal value when
34 computed upon the basis of such mortality tables and regulations as
35 shall be adopted by the director and regular interest.

36 (3) "Annuity" means the moneys payable per year during life by
37 reason of accumulated contributions of a member.

1 (4) "Member reserve" means the fund in which all of the accumulated
2 contributions of members are held.

3 (5)(a) "Beneficiary" for plan 1 members, means any person in
4 receipt of a retirement allowance or other benefit provided by this
5 chapter.

6 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
7 in receipt of a retirement allowance or other benefit provided by this
8 chapter resulting from service rendered to an employer by another
9 person.

10 (6) "Contract" means any agreement for service and compensation
11 between a member and an employer.

12 (7) "Creditable service" means membership service plus prior
13 service for which credit is allowable. This subsection shall apply
14 only to plan 1 members.

15 (8) "Dependent" means receiving one-half or more of support from a
16 member.

17 (9) "Disability allowance" means monthly payments during
18 disability. This subsection shall apply only to plan 1 members.

19 (10)(a) "Earnable compensation" for plan 1 members, means:

20 (i) All salaries and wages paid by an employer to an employee
21 member of the retirement system for personal services rendered during
22 a fiscal year. In all cases where compensation includes maintenance
23 the employer shall fix the value of that part of the compensation not
24 paid in money.

25 (ii) For an employee member of the retirement system teaching in an
26 extended school year program, two consecutive extended school years, as
27 defined by the employer school district, may be used as the annual
28 period for determining earnable compensation in lieu of the two fiscal
29 years.

30 (iii) "Earnable compensation" for plan 1 members also includes the
31 following actual or imputed payments, which are not paid for personal
32 services:

33 (A) Retroactive payments to an individual by an employer on
34 reinstatement of the employee in a position, or payments by an employer
35 to an individual in lieu of reinstatement in a position which are
36 awarded or granted as the equivalent of the salary or wages which the
37 individual would have earned during a payroll period shall be

1 considered earnable compensation and the individual shall receive the
2 equivalent service credit.

3 (B) If a leave of absence, without pay, is taken by a member for
4 the purpose of serving as a member of the state legislature, and such
5 member has served in the legislature five or more years, the salary
6 which would have been received for the position from which the leave of
7 absence was taken shall be considered as compensation earnable if the
8 employee's contribution thereon is paid by the employee. In addition,
9 where a member has been a member of the state legislature for five or
10 more years, earnable compensation for the member's two highest
11 compensated consecutive years of service shall include a sum not to
12 exceed thirty-six hundred dollars for each of such two consecutive
13 years, regardless of whether or not legislative service was rendered
14 during those two years.

15 (iv) For members employed less than full time under written
16 contract with a school district, or community college district, in an
17 instructional position, for which the member receives service credit of
18 less than one year in all of the years used to determine the earnable
19 compensation used for computing benefits due under RCW 41.32.497,
20 41.32.498, and 41.32.520, the member may elect to have earnable
21 compensation defined as provided in RCW 41.32.345. For the purposes of
22 this subsection, the term "instructional position" means a position in
23 which more than seventy-five percent of the member's time is spent as
24 a classroom instructor (including office hours), a librarian, or a
25 counselor. Earnable compensation shall be so defined only for the
26 purpose of the calculation of retirement benefits and only as necessary
27 to insure that members who receive fractional service credit under RCW
28 41.32.270 receive benefits proportional to those received by members
29 who have received full-time service credit.

30 (v) "Earnable compensation" does not include:

31 (A) Remuneration for unused sick leave authorized under RCW
32 41.04.340, 28A.400.210, or 28A.310.490;

33 (B) Remuneration for unused annual leave in excess of thirty days
34 as authorized by RCW 43.01.044 and 43.01.041.

35 (b) "Earnable compensation" for plan 2 and plan 3 members, means
36 salaries or wages earned by a member during a payroll period for
37 personal services, including overtime payments, and shall include wages
38 and salaries deferred under provisions established pursuant to sections

1 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
2 shall exclude lump sum payments for deferred annual sick leave, unused
3 accumulated vacation, unused accumulated annual leave, or any form of
4 severance pay.

5 "Earnable compensation" for plan 2 and plan 3 members also includes
6 the following actual or imputed payments which, except in the case of
7 (b)(ii)(B) of this subsection, are not paid for personal services:

8 (i) Retroactive payments to an individual by an employer on
9 reinstatement of the employee in a position or payments by an employer
10 to an individual in lieu of reinstatement in a position which are
11 awarded or granted as the equivalent of the salary or wages which the
12 individual would have earned during a payroll period shall be
13 considered earnable compensation, to the extent provided above, and the
14 individual shall receive the equivalent service credit.

15 (ii) In any year in which a member serves in the legislature the
16 member shall have the option of having such member's earnable
17 compensation be the greater of:

18 (A) The earnable compensation the member would have received had
19 such member not served in the legislature; or

20 (B) Such member's actual earnable compensation received for
21 teaching and legislative service combined. Any additional
22 contributions to the retirement system required because compensation
23 earnable under (b)(ii)(A) of this subsection is greater than
24 compensation earnable under (b)(ii)(B) of this subsection shall be paid
25 by the member for both member and employer contributions.

26 (11) "Employer" means the state of Washington, the school district,
27 or any agency of the state of Washington by which the member is paid.

28 (12) "Fiscal year" means a year which begins July 1st and ends June
29 30th of the following year.

30 (13) "Former state fund" means the state retirement fund in
31 operation for teachers under chapter 187, Laws of 1923, as amended.

32 (14) "Local fund" means any of the local retirement funds for
33 teachers operated in any school district in accordance with the
34 provisions of chapter 163, Laws of 1917 as amended.

35 (15) "Member" means any teacher included in the membership of the
36 retirement system who has not been removed from membership under
37 section 2 or 5 of this act. Also, any other employee of the public

1 schools who, on July 1, 1947, had not elected to be exempt from
2 membership and who, prior to that date, had by an authorized payroll
3 deduction, contributed to the member reserve.

4 (16) "Membership service" means service rendered subsequent to the
5 first day of eligibility of a person to membership in the retirement
6 system: PROVIDED, That where a member is employed by two or more
7 employers the individual shall receive no more than one service credit
8 month during any calendar month in which multiple service is rendered.
9 The provisions of this subsection shall apply only to plan 1 members.

10 (17) "Pension" means the moneys payable per year during life from
11 the pension reserve.

12 (18) "Pension reserve" is a fund in which shall be accumulated an
13 actuarial reserve adequate to meet present and future pension
14 liabilities of the system and from which all pension obligations are to
15 be paid.

16 (19) "Prior service" means service rendered prior to the first date
17 of eligibility to membership in the retirement system for which credit
18 is allowable. The provisions of this subsection shall apply only to
19 plan 1 members.

20 (20) "Prior service contributions" means contributions made by a
21 member to secure credit for prior service. The provisions of this
22 subsection shall apply only to plan 1 members.

23 (21) "Public school" means any institution or activity operated by
24 the state of Washington or any instrumentality or political subdivision
25 thereof employing teachers, except the University of Washington and
26 Washington State University.

27 (22) "Regular contributions" means the amounts required to be
28 deducted from the compensation of a member and credited to the member's
29 individual account in the member reserve. This subsection shall apply
30 only to plan 1 members.

31 (23) "Regular interest" means such rate as the director may
32 determine.

33 (24)(a) "Retirement allowance" for plan 1 members, means monthly
34 payments based on the sum of annuity and pension, or any optional
35 benefits payable in lieu thereof.

36 (b) "Retirement allowance" for plan 2 and plan 3 members, means
37 monthly payments to a retiree or beneficiary as provided in this
38 chapter.

1 (25) "Retirement system" means the Washington state teachers'
2 retirement system.

3 (26)(a) "Service" for plan 1 members means the time during which a
4 member has been employed by an employer for compensation.

5 (i) If a member is employed by two or more employers the individual
6 shall receive no more than one service credit month during any calendar
7 month in which multiple service is rendered.

8 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
9 sick leave may be creditable as service solely for the purpose of
10 determining eligibility to retire under RCW 41.32.470.

11 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
12 state retirement system that covers teachers in public schools may be
13 applied solely for the purpose of determining eligibility to retire
14 under RCW 41.32.470.

15 (b) "Service" for plan 2 and plan 3 members, means periods of
16 employment by a member for one or more employers for which earnable
17 compensation is earned subject to the following conditions:

18 (i) A member employed in an eligible position or as a substitute
19 shall receive one service credit month for each month of September
20 through August of the following year if he or she earns earnable
21 compensation for eight hundred ten or more hours during that period and
22 is employed during nine of those months, except that a member may not
23 receive credit for any period prior to the member's employment in an
24 eligible position except as provided in RCW 41.32.812 and 41.50.132;

25 (ii) If a member is employed either in an eligible position or as
26 a substitute teacher for nine months of the twelve month period between
27 September through August of the following year but earns earnable
28 compensation for less than eight hundred ten hours but for at least six
29 hundred thirty hours, he or she will receive one-half of a service
30 credit month for each month of the twelve month period;

31 (iii) All other members in an eligible position or as a substitute
32 teacher shall receive service credit as follows:

33 (A) A service credit month is earned in those calendar months where
34 earnable compensation is earned for ninety or more hours;

35 (B) A half-service credit month is earned in those calendar months
36 where earnable compensation is earned for at least seventy hours but
37 less than ninety hours; and

1 (C) A quarter-service credit month is earned in those calendar
2 months where earnable compensation is earned for less than seventy
3 hours.

4 (iv) Any person who is a member of the teachers' retirement system
5 and who is elected or appointed to a state elective position may
6 continue to be a member of the retirement system and continue to
7 receive a service credit month for each of the months in a state
8 elective position by making the required member contributions.

9 (v) When an individual is employed by two or more employers the
10 individual shall only receive one month's service credit during any
11 calendar month in which multiple service for ninety or more hours is
12 rendered.

13 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
14 sick leave may be creditable as service solely for the purpose of
15 determining eligibility to retire under RCW 41.32.470. For purposes of
16 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
17 to two service credit months. Use of less than forty-five days of sick
18 leave is creditable as allowed under this subsection as follows:

19 (A) Less than eleven days equals one-quarter service credit month;

20 (B) Eleven or more days but less than twenty-two days equals one-
21 half service credit month;

22 (C) Twenty-two days equals one service credit month;

23 (D) More than twenty-two days but less than thirty-three days
24 equals one and one-quarter service credit month;

25 (E) Thirty-three or more days but less than forty-five days equals
26 one and one-half service credit month.

27 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
28 state retirement system that covers teachers in public schools may be
29 applied solely for the purpose of determining eligibility to retire
30 under RCW 41.32.470.

31 (viii) The department shall adopt rules implementing this
32 subsection.

33 (27) "Service credit year" means an accumulation of months of
34 service credit which is equal to one when divided by twelve.

35 (28) "Service credit month" means a full service credit month or an
36 accumulation of partial service credit months that are equal to one.

37 (29) "Teacher" means any person qualified to teach who is engaged
38 by a public school in an instructional, administrative, or supervisory

1 capacity. The term includes state, educational service district, and
2 school district superintendents and their assistants and all employees
3 certificated by the superintendent of public instruction; and in
4 addition thereto any full time school doctor who is employed by a
5 public school and renders service of an instructional or educational
6 nature.

7 (30) "Average final compensation" for plan 2 and plan 3 members,
8 means the member's average earnable compensation of the highest
9 consecutive sixty service credit months prior to such member's
10 retirement, termination, or death. Periods constituting authorized
11 leaves of absence may not be used in the calculation of average final
12 compensation except under RCW 41.32.810(2).

13 (31) "Retiree" means any person who has begun accruing a retirement
14 allowance or other benefit provided by this chapter resulting from
15 service rendered to an employer while a member.

16 (32) "Department" means the department of retirement systems
17 created in chapter 41.50 RCW.

18 (33) "Director" means the director of the department.

19 (34) "State elective position" means any position held by any
20 person elected or appointed to statewide office or elected or appointed
21 as a member of the legislature.

22 (35) "State actuary" or "actuary" means the person appointed
23 pursuant to RCW 44.44.010(2).

24 (36) "Substitute teacher" means:

25 (a) A teacher who is hired by an employer to work as a temporary
26 teacher, except for teachers who are annual contract employees of an
27 employer and are guaranteed a minimum number of hours; or

28 (b) Teachers who either (i) work in ineligible positions for more
29 than one employer or (ii) work in an ineligible position or positions
30 together with an eligible position.

31 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
32 through September 1, 1991, means a position which normally requires two
33 or more uninterrupted months of creditable service during September
34 through August of the following year.

35 (b) "Eligible position" for plan 2 and plan 3 on and after
36 September 1, 1991, means a position that, as defined by the employer,
37 normally requires five or more months of at least seventy hours of

1 earnable compensation during September through August of the following
2 year.

3 (c) For purposes of this chapter an employer shall not define
4 "position" in such a manner that an employee's monthly work for that
5 employer is divided into more than one position.

6 (d) The elected position of the superintendent of public
7 instruction is an eligible position.

8 (38) "Plan 1" means the teachers' retirement system, plan 1
9 providing the benefits and funding provisions covering persons who
10 first became members of the system prior to October 1, 1977.

11 (39) "Plan 2" means the teachers' retirement system, plan 2
12 providing the benefits and funding provisions covering persons who
13 first became members of the system on and after October 1, 1977, and
14 prior to July 1, 1996.

15 (40) "Plan 3" means the teachers' retirement system, plan 3
16 providing the benefits and funding provisions covering persons who
17 first become members of the system on and after July 1, 1996, or who
18 transfer under RCW 41.32.817.

19 (41) "Index" means, for any calendar year, that year's annual
20 average consumer price index, Seattle, Washington area, for urban wage
21 earners and clerical workers, all items compiled by the bureau of labor
22 statistics, United States department of labor.

23 (42) "Index A" means the index for the year prior to the
24 determination of a postretirement adjustment.

25 (43) "Index B" means the index for the year prior to index A.

26 (44) "Index year" means the earliest calendar year in which the
27 index is more than sixty percent of index A.

28 (45) "Adjustment ratio" means the value of index A divided by index
29 B.

30 (46) "Annual increase" means, initially, fifty-nine cents per month
31 per year of service which amount shall be increased each July 1st by
32 three percent, rounded to the nearest cent.

33 (47) "Member account" or "member's account" for purposes of plan 3
34 means the sum of the contributions and earnings on behalf of the member
35 in the defined contribution portion of plan 3.

36 (48) "Separation from service or employment" occurs when a person
37 has terminated all employment with an employer.

1 (49) "Employed" or "employee" means a person who is providing
2 services for compensation to an employer, unless the person is free
3 from the employer's direction and control over the performance of work.
4 The department shall adopt rules and interpret this subsection
5 consistent with common law.

6 **Sec. 9.** RCW 41.35.030 and 2003 c 157 s 2 are each amended to read
7 as follows:

8 Membership in the retirement system shall consist of all regularly
9 compensated classified employees and appointive and elective officials
10 of employers, as defined in this chapter, with the following
11 exceptions:

12 (1) Persons in ineligible positions;

13 (2)(a) Persons holding elective offices or persons appointed
14 directly by the governor: PROVIDED, That such persons shall have the
15 option of applying for membership during such periods of employment:
16 AND PROVIDED FURTHER, That any persons holding or who have held
17 elective offices or persons appointed by the governor who are members
18 in the retirement system and who have, prior to becoming such members,
19 previously held an elective office, and did not at the start of such
20 initial or successive terms of office exercise their option to become
21 members, may apply for membership to be effective during such term or
22 terms of office, and shall be allowed to establish the service credit
23 applicable to such term or terms of office upon payment of the employee
24 contributions therefor by the employee with interest as determined by
25 the director and employer contributions therefor by the employer or
26 employee with interest as determined by the director: AND PROVIDED
27 FURTHER, That all contributions with interest submitted by the employee
28 under this subsection shall be placed in the employee's individual
29 account in the employee's savings fund and be treated as any other
30 contribution made by the employee, with the exception that any
31 contributions submitted by the employee in payment of the employer's
32 obligation, together with the interest the director may apply to the
33 employer's contribution, shall not be considered part of the member's
34 annuity for any purpose except withdrawal of contributions;

35 (b) A member holding elective office who has elected to apply for
36 membership pursuant to (a) of this subsection and who later wishes to
37 be eligible for a retirement allowance shall have the option of ending

1 his or her membership in the retirement system. A member wishing to
2 end his or her membership under this subsection must file on a form
3 supplied by the department a statement indicating that the member
4 agrees to irrevocably abandon any claim for service for future periods
5 served as an elected official. A member who receives more than fifteen
6 thousand dollars per year in compensation for his or her elective
7 service, adjusted annually for inflation by the director, is not
8 eligible for the option provided by this subsection (2)(b);

9 (3) Retirement system retirees: PROVIDED, That following
10 reemployment in an eligible position, a retiree may elect to
11 prospectively become a member of the retirement system if otherwise
12 eligible;

13 (4) Persons enrolled in state-approved apprenticeship programs,
14 authorized under chapter 49.04 RCW, and who are employed by employers
15 to earn hours to complete such apprenticeship programs, if the employee
16 is a member of a union-sponsored retirement plan and is making
17 contributions to such a retirement plan or if the employee is a member
18 of a Taft-Hartley retirement plan;

19 (5) Persons rendering professional services to an employer on a
20 fee, retainer, or contract basis or when the income from these services
21 is less than fifty percent of the gross income received from the
22 person's practice of a profession;

23 (6) Substitute employees, except for the purposes of the purchase
24 of service credit under rcw 41.35.033. Upon the return or termination
25 of the absent employee a substitute employee is replacing, that
26 substitute employee shall no longer be ineligible under this
27 subsection;

28 (7) Employees who (a) are not citizens of the United States, (b) do
29 not reside in the United States, and (c) perform duties outside of the
30 United States;

31 (8) Employees who (a) are not citizens of the United States, (b)
32 are not covered by chapter 41.48 RCW, (c) are not excluded from
33 membership under this chapter or chapter 41.04 RCW, (d) are residents
34 of this state, and (e) make an irrevocable election to be excluded from
35 membership, in writing, which is submitted to the director within
36 thirty days after employment in an eligible position;

37 (9) Employees who are citizens of the United States and who reside
38 and perform duties for an employer outside of the United States:

1 PROVIDED, That unless otherwise excluded under this chapter or chapter
2 41.04 RCW, the employee may apply for membership (a) within thirty days
3 after employment in an eligible position and membership service credit
4 shall be granted from the first day of membership service, and (b)
5 after this thirty-day period, but membership service credit shall be
6 granted only if payment is made for the noncredited membership service
7 under RCW 41.50.165(2), otherwise service shall be from the date of
8 application; and

9 (10) Employees who are removed from membership under section 3 or
10 6 of this act.

11 NEW SECTION. **Sec. 10.** This act is necessary for the immediate
12 preservation of the public peace, health, or safety, or support of the
13 state government and its existing public institutions, and takes effect
14 immediately.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	2/3/05	SB 5497/HB 1634

SUMMARY OF BILL:

This bill impacts the Public Employees' Retirement System plans 2/3, the School Employees' Retirement System plans 2/3, and the Teachers' Retirement System plans 2/3 by allowing a member who is diagnosed with a terminal illness to remove themselves from their retirement plan. The member must be examined by or under the direction of a medical advisor who must certify in writing that the member has a terminal illness with a life expectancy of five years or less. The director of the retirement systems must then concur in the recommendation of the medical advisor. Such terminally ill members would not make contributions nor earn service credit.

Effective Date: Immediately.

CURRENT SITUATION:

Until separation from employment, all active plan 2/3 members of PERS, SERS, and TRS make contributions and earn service credit.

MEMBERS IMPACTED:

We expect very few active members of PERS, SERS, and TRS Plans 2/3 will become eligible and then choose to remove themselves from membership in their retirement plan under this bill.

ASSUMPTIONS:

We assume that, under this bill, some members will leave employment earlier than they otherwise would have. Generally, this would result in a savings to the plan. However, we do not expect enough members will choose to withdraw from membership to affect either the termination experience or funding status of any of the affected plans.

FISCAL IMPACT:

None.

SENATE BILL 5112

State of Washington

59th Legislature

2005 Regular Session

By Senators Shin, Schmidt, Rockefeller, Rasmussen, Kline, Sheldon, Keiser, Doumit, Berkey, Kastama, Haugen, McAuliffe, Franklin, Johnson, Kohl-Welles, Benson and Oke

Read first time 01/13/2005. Referred to Committee on Early Learning, K-12 & Higher Education.

1 AN ACT Relating to veterans of the Afghanistan conflict and the
2 Persian Gulf War II; amending RCW 28B.15.628; and reenacting and
3 amending RCW 41.04.005.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.04.005 and 2002 c 292 s 1 and 2002 c 27 s 1 are
6 each reenacted and amended to read as follows:

7 (1) As used in RCW 41.04.005, 41.16.220, 41.20.050, 41.40.170, and
8 28B.15.380 "veteran" includes every person, who at the time he or she
9 seeks the benefits of RCW 41.04.005, 41.16.220, 41.20.050, 41.40.170,
10 or 28B.15.380 has received an honorable discharge or received a
11 discharge for physical reasons with an honorable record and who meets
12 at least one of the following criteria:

13 (a) The person has served between World War I and World War II or
14 during any period of war, as defined in subsection (2) of this section,
15 as either:

16 (i) A member in any branch of the armed forces of the United
17 States;

18 (ii) A member of the women's air forces service pilots;

(iii) A U.S. documented merchant mariner with service aboard an oceangoing vessel operated by the war shipping administration, the office of defense transportation, or their agents, from December 7, 1941, through December 31, 1946; or

(iv) A civil service crewmember with service aboard a U.S. army transport service or U.S. naval transportation service vessel in oceangoing service from December 7, 1941, through December 31, 1946; or

(b) The person has received the armed forces expeditionary medal, or marine corps and navy expeditionary medal, for opposed action on foreign soil, for service:

(i) In any branch of the armed forces of the United States; or

(ii) As a member of the women's air forces service pilots.

(2) A "period of war" includes:

(a) World War I;

(b) World War II;

(c) The Korean conflict;

(d) The Vietnam era(~~([, which])~~), which means:

(i) The period beginning on February 28, 1961, and ending on May 7, 1975, in the case of a veteran who served in the Republic of Vietnam during that period;

(ii) The period beginning August 5, 1964, and ending on May 7, 1975;

(e) The Persian Gulf War, which was the period beginning August 2, 1990, and ending on the date prescribed by presidential proclamation or law;

(f) Service in the Persian Gulf combat zone as a part of Operation Iraqi Freedom;

(g) Service in southern or central Asia as a part of Operation Enduring Freedom;

(h) The period beginning on the date of any future declaration of war by the congress and ending on the date prescribed by presidential proclamation or concurrent resolution of the congress; and

~~((g))~~ (i) The following armed conflicts, if the participant was awarded the respective campaign badge or medal: The crisis in Lebanon; the invasion of Grenada; Panama, Operation Just Cause; Somalia, Operation Restore Hope; Haiti, Operation Uphold Democracy; and Bosnia, Operation Joint Endeavor.

1 **Sec. 2.** RCW 28B.15.628 and 1999 c 82 s 2 are each amended to read
2 as follows:

3 (1) The legislature finds that military and naval veterans who have
4 served their country in wars on foreign soil have risked their own
5 lives to defend both the lives of all Americans and the freedoms that
6 define and distinguish our nation. It is the intent of the legislature
7 to honor Persian Gulf combat zone veterans for the public service they
8 have provided to their country. It is the further intent of the
9 legislature that, for eligible Persian Gulf combat zone veterans,
10 institutions of higher education waive tuition and fee increases that
11 have occurred after the 1990-91 academic year.

12 (2) Subject to the limitations of RCW 28B.15.910, the governing
13 boards of the state universities, the regional universities, The
14 Evergreen State College, and the community colleges may exempt veterans
15 of the Persian Gulf combat zone or the Afghanistan conflict from all or
16 a portion of increases in tuition and fees that occur after the 1990-91
17 academic year, if the veteran could have qualified as a Washington
18 resident student under RCW 28B.15.012(2), had he or she been enrolled
19 as a student (~~on August 1, 1990~~) at the time the military service was
20 rendered.

21 (3) For the purposes of this section, "a veteran of the Persian
22 Gulf combat zone" means a person who served on active duty in the armed
23 forces of the United States during any portion of the 1991 calendar
24 year in the Persian Gulf combat zone as designated by executive order
25 of the president of the United States or during or after the 2003
26 calendar year in any portion of the Persian Gulf combat zone.

27 (4) For the purposes of this section, "a veteran of the Afghanistan
28 conflict" means a person who served on active duty in the armed forces
29 of the United States during or after any portion of the 2001 calendar
30 year in southern or central Asia as part of Operation Enduring Freedom.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	1/19/05	SB 5112

SUMMARY OF BILL:

This bill impacts the Public Employees' Retirement System (PERS) Plan 1 by amending the definition of "veteran" in RCW 41.04.005 for the purpose of determining PERS 1 military service credit. The amended definition would add the following persons to be included within the definition: (a) persons who served on active duty in the armed forces of the United States during or after the 2003 calendar year in any portion of the Persian Gulf combat zone, and (b) persons who served on active duty in the armed forces of the United States during or after any portion of the 2001 calendar year in southern or central Asia as part of Operation Enduring Freedom.

Effective Date: 90 days after session.

CURRENT SITUATION:

Currently the PERS 1 definition of "veteran" is determined by participation in certain conflicts. The most recent conflict identified in the definition at this time is the Persian Gulf War. This bill would add Operation Enduring Freedom and the Persian Gulf War II to the list of conflicts for which PERS 1 members would be eligible to receive military service credit.

There are two types of military service credit that PERS 1 members may receive: non-interruptive and interruptive. Those veterans who served in the military prior to public employment must have at least 25 years of PERS 1 service credit to be eligible for non-interruptive service credit. No payments are required for the service credit. Such members would not be affected by the proposed legislation, because the conflicts added to the definition of veteran have taken place after the closure of Plan 1.

Veterans who seek interruptive military service credit under PERS 1 could be affected by the proposed legislation. Currently, those who interrupt public employment to serve in the military must restore all withdrawn accumulated contributions within five years of membership service following the resumption of employment and meet the definition of veteran to receive interruptive military service credit. No payments are required for the service credit itself.

In addition to state law, interruptive military service credit is also governed by federal law, which supercedes state law, except where state law provides more generous benefits. Currently, federal law allows PERS 1 members who interrupt their PERS careers to serve in the armed forces to purchase service credit for the period of their military service by making the necessary employee contributions--employers make the necessary employer contributions. By expanding the definition of veteran in state law to include Operation Enduring Freedom and the Persian Gulf War II, this bill will allow PERS1 members who serve in these conflicts to receive interruptive military service credit under state law without making the employee contributions that would be required under federal law.

MEMBERS IMPACTED:

We estimate that all 19,740 PERS 1 active members could potentially be affected by this bill as a result of interruptive military service. We assume that this bill would not affect any members with regard to prior or non-interruptive military service.

ASSUMPTIONS:

This bill does not provide any new pension benefits, however, it does impact the PERS 1 Unfunded Actuarial Accrued Liability (UAAL) by potentially eliminating required member contributions for the purchase of interruptive military service credit. We estimate that 7 members a year will receive 1.83 years of no-cost interruptive military service under the expanded definition of veteran over the next 14 years.

This assumption is based on data that indicates for the 18 month period ended June 30, 2003, there were 11 PERS 1 members who received an average of 1.83 years of interruptive military service. The youngest PERS 1 member is age 46. We projected contributions for 14 years to the year when the youngest member would be age 60.

We started with an average salary of \$47,876 and used a 4.5% annual salary increase assumption. We assumed the loss of a level contribution rate of 6% for each year of assumed interruptive military service and used an 8% interest discount rate to calculate the present value.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of PERS 1 by increasing the Unfunded Actuarial Accrued Liability under the System as shown below:

<i>(Dollars in Millions)</i>	System: PERS 1		
	Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	NA	NA	NA
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	\$2,620.22	\$0.44	\$2,620.66
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	NA	NA	NA

Increase in Contribution Rates: (Effective 09/01/2005)

Current Members

Employee	0.0%
Employer State	0.0%

New Entrants

Employee	0.0%
Employer State	0.0%

Fiscal Budget Determinations:

This bill has no impact on projected funding expenditures.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2003 actuarial valuation report of the Public Employees' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2005 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.
8. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

SENATE BILL 5135

State of Washington

59th Legislature

2005 Regular Session

By Senators Kastama, Mulliken, Zarelli, Doumit and Rasmussen

Read first time 01/14/2005. Referred to Committee on Ways & Means.

1 AN ACT Relating to volunteer fire fighters' and reserve officers'
2 relief and pensions; amending RCW 41.24.010 and 41.24.030; and adding
3 a new section to chapter 41.24 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.24.010 and 1999 c 148 s 1 are each amended to read
6 as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

9 (1) "Municipal corporation" or "municipality" includes any county,
10 city, town or combination thereof, fire protection district, local law
11 enforcement agency, or any emergency medical service district or other
12 special district, authorized by law to protect life or property within
13 its boundaries through a fire department, emergency workers, or reserve
14 officers.

15 (2) "Fire department" means any regularly organized fire department
16 or emergency medical service district consisting wholly of volunteer
17 fire fighters, or any part-paid and part-volunteer fire department duly
18 organized and maintained by any municipality: PROVIDED, That any such

1 municipality wherein a part-paid fire department is maintained may by
2 appropriate legislation permit the full-paid members of its department
3 to come under the provisions of chapter 41.16 RCW.

4 (3) "Fire fighter" includes any fire fighter or emergency worker
5 who is a member of any fire department of any municipality but shall
6 not include ~~((full-time, paid))~~ fire fighters who are ~~((members of))~~
7 eligible for participation in the Washington law enforcement officers'
8 and fire fighters' retirement system or the Washington public
9 employees' retirement system, with respect to periods of service
10 rendered in such capacity.

11 (4) "Emergency worker" means any emergency medical service
12 personnel, regulated by chapters 18.71 and 18.73 RCW, who is a member
13 of an emergency medical service district but shall not include ~~((full-~~
14 ~~time, paid))~~ emergency medical service personnel who are ~~((members of))~~
15 eligible for participation in the Washington public employees'
16 retirement system, with respect to periods of service rendered in such
17 capacity.

18 (5) "Performance of duty" or "performance of service" shall be
19 construed to mean and include any work in and about company quarters,
20 any fire station, any law enforcement office or precinct, or any other
21 place under the direction or general orders of the chief or other
22 officer having authority to order such member to perform such work;
23 responding to, working at, or returning from an alarm of fire,
24 emergency call, or law enforcement duties; drill or training; or any
25 work performed of an emergency nature in accordance with the rules and
26 regulations of the fire department or local law enforcement agency.

27 (6) "State board" means the state board for volunteer fire fighters
28 and reserve officers.

29 (7) "Board of trustees" or "local board" means: (a) For matters
30 affecting fire fighters, a fire fighter board of trustees created under
31 RCW 41.24.060; (b) for matters affecting an emergency worker, an
32 emergency medical service district board of trustees created under RCW
33 41.24.330; or (c) for matters affecting reserve officers, a reserve
34 officer board of trustees created under RCW 41.24.460.

35 (8) "Appropriate legislation" means an ordinance when an ordinance
36 is the means of legislating by any municipality, and resolution in all
37 other cases.

1 (9) "Reserve officer" means the same as defined by the Washington
2 state criminal justice training commission under chapter 43.101 RCW,
3 but shall not include (~~((full-time, paid-law))~~) enforcement officers who
4 are (~~((members-of))~~) eligible for participation in the Washington law
5 enforcement officers' and fire fighters' retirement system or the
6 Washington public employees' retirement system, with respect to periods
7 of service rendered in such capacity.

8 (10) "Participant" means: (a) For purposes of relief, any reserve
9 officer who is or may become eligible for relief under this chapter or
10 any fire fighter or emergency worker; and (b) for purposes of
11 retirement pension, any fire fighter, emergency worker, or reserve
12 officer who is or may become eligible to receive a benefit of any type
13 under the retirement provisions of this chapter, or whose beneficiary
14 may be eligible to receive any such benefit.

15 (11) "Relief" means all medical, death, and disability benefits
16 available under this chapter that are made necessary from death,
17 sickness, injury, or disability arising in the performance of duty,
18 including benefits provided under RCW 41.24.110, 41.24.150, 41.24.160,
19 41.24.175, 41.24.220, and 41.24.230, but does not include retirement
20 pensions provided under this chapter.

21 (12) "Retirement pension" means retirement payments for the
22 performance of service, as provided under RCW 41.24.170, 41.24.172,
23 41.24.175, 41.24.180, and 41.24.185.

24 (13) "Principal fund" means the volunteer fire fighters' and
25 reserve officers' relief and pension principal fund created under RCW
26 41.24.030.

27 (14) "Administrative fund" means the volunteer fire fighters' and
28 reserve officers' administrative fund created under RCW 41.24.030.

29 **Sec. 2.** RCW 41.24.030 and 1999 c 148 s 3 are each amended to read
30 as follows:

31 (1) The volunteer fire fighters' and reserve officers' relief and
32 pension principal fund is created in the state treasury as a trust fund
33 for the benefit of the participants covered by this chapter consisting
34 of:

35 (a) All bequests, fees, gifts, emoluments, or donations given or
36 paid to the fund.

1 (b) An annual fee for each member of its fire department to be paid
2 by each municipal corporation for the purpose of affording relief
3 provided in this chapter for fire fighters as follows:

4 (i) (~~Ten~~) Thirty dollars for each volunteer or part-paid member
5 of its fire department;

6 (ii) A sum equal to one and one-half of one percent of the annual
7 salary attached to the rank of each full-paid member of its fire
8 department, prorated for 1970 on the basis of services prior to March
9 1, 1970.

10 (c) An annual fee for each emergency worker of an emergency medical
11 service district paid by the district that is sufficient to pay the
12 full costs of covering the emergency worker under the relief provisions
13 of this chapter, including operating expenses. The state board shall
14 determine the amount of this fee based on the latest actuarial
15 valuation of the system.

16 (d) Where a municipal corporation has elected to make relief
17 provisions of this chapter available to its reserve officers, an annual
18 fee for each reserve officer paid by the municipal corporation that is
19 sufficient to pay the full costs of covering the reserve officer under
20 the relief provisions of this chapter, including operating expenses.
21 The state board shall determine the amount of this fee based on the
22 latest actuarial valuation of the system.

23 (e) Where a municipal corporation has elected to make the
24 retirement pension provisions of this chapter available to members of
25 its fire department, an annual fee of sixty dollars for each of its
26 fire fighters electing to enroll, thirty dollars of which shall be paid
27 by the municipality and thirty dollars of which shall be paid by the
28 fire fighter. However, nothing in this section prohibits any
29 municipality from voluntarily paying the fire fighters' fee for this
30 retirement pension coverage.

31 (f) Where an emergency medical service district has elected to make
32 the retirement pension provisions of this chapter available to its
33 emergency workers, for each emergency worker electing to enroll: (i)
34 An annual fee of thirty dollars shall be paid by the emergency worker;
35 and (ii) an annual fee paid by the emergency medical service district
36 that, together with the thirty-dollar fee per emergency worker, is
37 sufficient to pay the full costs of covering the emergency worker under
38 the retirement pension benefits provided under this chapter, including

1 operating expenses. The state board shall determine the amount of this
2 fee based on the latest actuarial valuation of the system. However,
3 nothing in this section prohibits any emergency medical service
4 district from voluntarily paying the emergency workers' fees for this
5 retirement pension coverage.

6 (g) Where a municipal corporation has elected to make the
7 retirement pension provisions of this chapter available to its reserve
8 officers, for each reserve officer electing to enroll: (i) An annual
9 fee of thirty dollars shall be paid by the reserve officer; and (ii) an
10 annual fee paid by the municipal corporation that, together with the
11 thirty-dollar fee per reserve officer, is sufficient to pay the full
12 costs of covering the reserve officer under the retirement pension
13 benefits provided under this chapter, including operating expenses.
14 The state board shall determine the amount of this fee based on the
15 latest actuarial valuation of the system. However, nothing in this
16 section prohibits any municipal corporation from voluntarily paying the
17 reserve officers' fees for this retirement pension coverage.

18 (h) Moneys transferred from the administrative fund, as provided
19 under subsection (4) of this section, which may only be used to pay
20 relief and retirement pensions for fire fighters.

21 (i) Earnings from the investment of moneys in the principal fund.

22 (2) The state investment board, upon request of the state treasurer
23 shall have full power to invest, reinvest, manage, contract, sell, or
24 exchange investments acquired from that portion of the amounts credited
25 to the principal fund as is not, in the judgment of the state board,
26 required to meet current withdrawals. Investments shall be made in the
27 manner prescribed by RCW 43.84.150 and not otherwise.

28 All bonds, investments, or other obligations purchased by the state
29 investment board shall be placed in the custody of the state treasurer,
30 and he or she shall collect the principal thereof and interest thereon
31 when due.

32 The state investment board may sell any of the bonds, investments,
33 or obligations so acquired and the proceeds thereof shall be paid to
34 the state treasurer.

35 (3) The interest, earnings, and proceeds from the sale and
36 redemption of any investments held by the principal fund and invested
37 by the state investment board shall be credited to and form a part of

1 the principal fund, less the allocation to the state investment board
2 expense account pursuant to RCW 43.33A.160.

3 Subject to restrictions contained in this chapter, all amounts
4 credited to the principal fund shall be available for making the
5 benefit payments required by this chapter.

6 The state treasurer shall make an annual report showing the
7 condition of the fund.

8 (4) The volunteer fire fighters' and reserve officers'
9 administrative fund is created in the state treasury. Moneys in the
10 fund, including unanticipated revenues under RCW 43.79.270, may be
11 spent only after appropriation, and may be used only for operating
12 expenses of the volunteer fire fighters' and reserve officers' relief
13 and pension principal fund, the operating expenses of the volunteer
14 fire fighters' and reserve officers' administrative fund, or for
15 transfer from the administrative fund to the principal fund.

16 (a) Forty percent of all moneys received by the state from taxes on
17 fire insurance premiums shall be paid into the state treasury and
18 credited to the administrative fund.

19 (b) The state board shall compute a percentage of the amounts
20 credited to the administrative fund to be paid into the principal fund.

21 (c) For the purpose of providing amounts to be used to defray the
22 cost of administration of the principal and administrative funds, the
23 state board shall ascertain at the beginning of each biennium and
24 request from the legislature an appropriation from the administrative
25 fund sufficient to cover estimated expenses for the biennium.

26 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.24 RCW
27 to read as follows:

28 (1) If an injured volunteer seeks damages from a third party, the
29 state board may also seek recovery of actual costs from the responsible
30 third party. A volunteer seeking damages from a third party is
31 required to notify the state board about the legal proceeding.

32 (2) The state board is responsible for its proportionate share of
33 the costs and attorneys' fees of the legal proceedings.

34 (3) Any recovery is subject to a lien by the state board for its
35 share under this section.

36 (4) This section does not restrict or prohibit the state board's

1 right to seek recovery from a third party when a volunteer fire fighter
2 is injured.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

1/26/05

SB 5135

SUMMARY OF BILL:

This bill impacts the Volunteer Fire Fighters' Relief and Pension Fund (VFFRPF). The bill clarifies the definition of fire fighter and emergency worker so as to prevent part-time PERS fire-fighters and emergency workers from earning both a PERS benefit and a Volunteer Fire benefit for the same job. The bill also increases the annual fee paid by each municipal corporation for the purpose of affording relief (or medical) benefits for volunteer fire fighters from ten dollars to thirty dollars per member. And the bill allows the State Board for Volunteer Fire Fighters and Reserve Officers to seek recovery of costs from a third party if a volunteer is injured.

Effective Date: 90 days after session

CURRENT SITUATION:

The Volunteer Fire Fighters' Relief and Pension Fund was established to provide medical, death, disability, and survivor benefits as well as retirement payments to volunteer fire fighters, volunteer emergency medical personnel, and reserve police officers.

Currently, part-time fire fighters or police officers are not eligible for membership in the law enforcement officers' and fire fighters' retirement system (LEOFF). If they work at least 70 hours per month for 5 months in a calendar year they may be eligible for membership in the public employees' retirement system (PERS). They may also be eligible for membership in the VFFRPF, thus allowing them to earn two retirement benefits for doing the same job.

Funding of the Volunteer Fire Fighters' Relief and Pension Fund comes from the following sources:

- If a municipal corporation, or emergency medical service district, elects to provide retirement benefits to its volunteer fire fighters, both members and employers each pay an annual fee of thirty dollars. Emergency workers and reserve police officers pay the full cost.
- All volunteer fire fighters, emergency workers, and reserve police officers are covered under the relief provisions for which their employers pay an annual fee of ten dollars. Emergency workers and reserve police officers pay the full cost.
- A fee of one and one-half percent of the salary of each paid fire fighter.
- 40% of the premium tax paid on fire insurance policies issued in the state.
- Investment returns.

Members are eligible to receive, at no expense to the member, all medical aid and care necessary for the recovery and treatment for injury, sickness, or disability received while in the performance of duties.

If a member becomes disabled while in the performance of their duties, they are eligible to receive:

- \$85 per day for disabilities of less than 1 month,
- \$2,550 per month for disabilities that do not exceed six months, or
- \$1,275 per month for disabilities in which the member is incapacitated to the extent that they cannot engage in an occupation or any work for compensation or profit (an additional \$255 per month if the member has a spouse, and an additional \$110 for each child under the age of 18 to a maximum of \$2,550 per month.)
- Effective July 1, 2001, the above amounts are indexed annually in line with the CPI for Urban Wage Earners.

For the year ending December 31, 2003, the fund received \$214,000 in relief fees, including \$178,000 in employer relief contributions, and paid \$1.8 million in relief benefits. Of the \$178,000, \$173,270 was for volunteer firefighters and the remainder was for emergency workers and reserve police officers. The excess of the relief benefits paid over the relief fees is funded through the state fire insurance premium tax. The employer relief fee was increased from \$3 to \$5 on July 1, 1963, and from \$5 to \$10 on July 1, 1989.

MEMBERS IMPACTED:

The most recent valuation data shows about 200 active, part-time, dual PERS and VFFRPF members, of which about 60 work for fire protection districts. We are unable to identify how many of these members are fire-fighters or emergency workers in PERS.

We estimate contributions on behalf of 17,327 active volunteer firefighters in both the relief and pension system would be affected by this bill. This excludes 90 emergency workers and 335 reserve police officers who pay the full cost.

ASSUMPTIONS:

We assume that the provision of this bill preventing part-time PERS fire-fighters and emergency workers from earning both a PERS and Volunteer Fire benefit for the same job only restricts the ability of new members to earn such benefits; benefits that have already been accrued are not affected by this bill. We further assume that any member who is currently accruing dual PERS and Volunteer Fire benefits for the same job will be allowed to continue accruing such benefits in the future. We assume this bill will have no material impact on the future membership of the system because less than one-half of one-percent of the current actives in this system are part-time, dual PERS and VFFRPF members. Based on these assumptions, the provision of this bill preventing part-time PERS fire-fighters and emergency workers from earning both a PERS and Volunteer Fire benefit for the same job will have no material actuarial cost or fiscal impact.

We do not assume any growth in the number of members covered by the relief system. We assume that the additional employer relief contributions from changing the rate from \$10 per member to \$30 per member would be three times the current level of employer relief contributions. The employer relief contributions for volunteer firefighters were \$173,270 for the 2003 year. At \$30 per member, we expect the employer relief contributions for Volunteer Firefighters to be \$519,810, an increase of \$346,540 per year.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the Volunteer Fire Fighters' Relief and Pension Fund system by increasing the annual employer contribution for providing relief benefits from \$10 to \$30 for each covered volunteer firefighter. This bill has no impact on state funding of the system.

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Costs (in Millions):	<u>Total</u>
2005-2007	
State:	
General Fund	\$0.0
Non-General Fund	<u>\$0.0</u>
Total State	\$0.0
Local Government	\$0.7
Total Employer	\$0.7
Total Employee	\$0.0
2007-2009	
State:	
General Fund	\$0.0
Non-General Fund	<u>\$0.0</u>
Total State	\$0.0
Local Government	\$0.7
Total Employer	\$0.7
Total Employee	\$0.0
2005-2030	
State:	
General Fund	\$0.0
Non-General Fund	<u>\$0.0</u>
Total State	\$0.0
Local Government	\$8.7
Total Employer	\$8.7
Total Employee	\$0.0

State Actuary's Comments:

Pension and relief benefits for the Volunteer Fire Fighters' Relief and Pension Fund are paid out of a single fund. Therefore, the increased contributions collected under this bill would be available to fund both pension and relief benefits.

Currently, the annual income from the fire insurance premium tax exceeds the combined long-term annual cost of pension benefits and the most recent annual medical claims by \$836,000. The pension costs are prefunded under an actuarial funding method. Relief (or medical) benefits are funded on a pay as you go basis.

The actual medical claims in any single year can vary significantly. There is no reinsurance or stop-loss coverage available to limit the fund's risk exposure. A single catastrophic claim in one year could result in total claims that are several times higher than the claims from the previous year.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the December 31, 2003 actuarial valuation report of the Volunteer Fire Fighters' Relief and Pension Fund.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2005 Legislative Session.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

SENATE BILL 5286

State of Washington

59th Legislature

2005 Regular Session

By Senators Kastama, Prentice and Doumit

Read first time 01/19/2005. Referred to Committee on Ways & Means.

1 AN ACT Relating to postretirement employment for members of the
2 public employees' retirement system plan 1 and the teachers' retirement
3 system plan 1; amending RCW 41.32.570 and 41.40.037; reenacting and
4 amending RCW 41.40.037; creating new sections; providing an effective
5 date; providing an expiration date; and declaring an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 41.32.570 and 2003 c 295 s 6 are each amended to read
8 as follows:

9 (1)(a) If a retiree enters employment with an employer sooner than
10 one calendar month after his or her accrual date, the retiree's monthly
11 retirement allowance will be reduced by five and one-half percent for
12 every seven hours worked during that month. This reduction will be
13 applied each month until the retiree remains absent from employment
14 with an employer for one full calendar month.

15 (b) The benefit reduction provided in (a) of this subsection will
16 accrue for a maximum of one hundred forty hours per month. Any monthly
17 benefit reduction over one hundred percent will be applied to the
18 benefit the retiree is eligible to receive in subsequent months.

1 (2) Except as provided in subsection (3) of this section, any
2 retired teacher or retired administrator who enters service in any
3 public educational institution in Washington state ((and who has
4 satisfied the break in employment requirement of subsection (1) of this
5 section)) at least one calendar month after his or her accrual date
6 shall cease to receive pension payments while engaged in such service,
7 after the retiree has rendered service for more than ((one thousand
8 five hundred)) eight hundred sixty-seven hours in a school year. When
9 a retired teacher or administrator renders service beyond eight hundred
10 sixty-seven hours, the department shall collect from the employer the
11 applicable employer retirement contributions for the entire duration of
12 the member's employment during that fiscal year.

13 (3) Any retired teacher or retired administrator who enters service
14 in any public educational institution in Washington state one and one-
15 half calendar months or more after his or her accrual date and:

16 (a) Is hired into a special education, science, or mathematics
17 position for which the school board has documented a justifiable need
18 to hire a retiree;

19 (b) Is hired through the established process for the position with
20 the approval of the school board of the prospective employer; and

21 (c) The employer retains records of the procedures followed and the
22 decisions made in hiring the retired teacher or retired administrator
23 and provides those records in the event of an audit;
24 shall cease to receive pension payments while engaged in that service
25 after the retiree has rendered service for more than one thousand five
26 hundred hours in a school year.

27 (4) The department shall collect and provide the state actuary with
28 information relevant to the use of this section for the select
29 committee on pension policy. By December 1st of each year, the
30 superintendent of public instruction may recommend to the appropriate
31 legislative fiscal committees a list of employment positions to be
32 considered by the legislature for inclusion in subsection (3) of this
33 section. In the case of each position, the recommendation shall
34 include a documented and justifiable need to hire retirees into that
35 position.

36 ((+4+)) (5) The legislature reserves the right to amend or repeal
37 this section in the future and no member or beneficiary has a

1 contractual right to be employed for more than five hundred twenty-five
2 hours per year without a reduction of his or her pension.

3 NEW SECTION. **Sec. 2.** A retiree from plan 1 of the teachers'
4 retirement system who entered employment with an employer under RCW
5 41.32.570(2) as it existed prior to its amendment by chapter . . . ,
6 Laws of 2005 (this act) may continue to receive pension payments under
7 the terms and conditions of that statute until December 31, 2005.

8 **Sec. 3.** RCW 41.40.037 and 2003 c 412 s 5 and 2003 c 295 s 7 are
9 each reenacted and amended to read as follows:

10 (1)(a) If a retiree enters employment with an employer sooner than
11 one calendar month after his or her accrual date, the retiree's monthly
12 retirement allowance will be reduced by five and one-half percent for
13 every eight hours worked during that month. This reduction will be
14 applied each month until the retiree remains absent from employment
15 with an employer for one full calendar month.

16 (b) The benefit reduction provided in (a) of this subsection will
17 accrue for a maximum of one hundred sixty hours per month. Any benefit
18 reduction over one hundred percent will be applied to the benefit the
19 retiree is eligible to receive in subsequent months.

20 (2)(a) Except as provided in (b) of this subsection, a retiree from
21 plan 1 who enters employment with an employer at least one calendar
22 month after his or her accrual date may continue to receive pension
23 payments while engaged in such service for up to eight hundred sixty-
24 seven hours of service in a calendar year without a reduction of
25 pension.

26 (b) A retiree from plan 1 who enters employment with an employer at
27 least three calendar months after his or her accrual date and:

28 (i) Is hired into (~~(a position for which the employer has~~
29 ~~documented a justifiable need to hire a retiree into the position))~~ one
30 of the following employment positions: Actuary, including an actuary
31 associate, correctional health investigator, dentist, pharmacist,
32 physician, public health advisor, radiation health physicist, or
33 radiology technician;

34 (ii) Is hired through the established process for the position with
35 the approval of: A school board for a school district; the chief
36 executive officer of a state agency employer; the secretary of the

senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the legislative transportation committee, the joint committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer; and

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit; ((and

~~(iv) The employee has not already rendered a cumulative total of more than one thousand nine hundred hours of service while in receipt of pension payments beyond an annual threshold of eight hundred sixty-seven hours;))~~

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year. ~~((The one thousand nine hundred hour cumulative total under this subsection applies prospectively to those retiring after July 27, 2003, and retroactively to those who retired prior to July 27, 2003, and shall be calculated from the date of retirement.))~~

(c) When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

(d) A retiree from plan 2 or plan 3 who has satisfied the break in employment requirement of subsection (1) of this section may work up to eight hundred sixty-seven hours in a calendar year in an eligible position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as a fire fighter or law enforcement officer, as defined in RCW 41.26.030, without suspension of his or her benefit.

(3) If the retiree opts to reestablish membership under RCW 41.40.023(12), he or she terminates his or her retirement status and becomes a member. Retirement benefits shall not accrue during the period of membership and the individual shall make contributions and receive membership credit. Such a member shall have the right to again

1 retire if eligible in accordance with RCW 41.40.180. However, if the
2 right to retire is exercised to become effective before the member has
3 rendered two uninterrupted years of service, the retirement formula and
4 survivor options the member had at the time of the member's previous
5 retirement shall be reinstated.

6 (4) The department shall collect and provide the state actuary with
7 information relevant to the use of this section for the select
8 committee on pension policy. By December 1st of each year, the
9 department of personnel, the superintendent of public instruction, and
10 any other employer listed in subsection (2)(b) of this section may
11 recommend to the appropriate legislative fiscal committees a list of
12 employment positions to be considered by the legislature for inclusion
13 in subsection (2)(b) of this section. In the case of each position,
14 the recommendation shall include a documented and justifiable need to
15 hire retirees into that position.

16 (5) The legislature reserves the right to amend or repeal this
17 section in the future and no member or beneficiary has a contractual
18 right to be employed for more than five months in a calendar year
19 without a reduction of his or her pension.

20 **Sec. 4.** RCW 41.40.037 and 2004 c 242 s 63 are each amended to read
21 as follows:

22 (1)(a) If a retiree enters employment with an employer sooner than
23 one calendar month after his or her accrual date, the retiree's monthly
24 retirement allowance will be reduced by five and one-half percent for
25 every eight hours worked during that month. This reduction will be
26 applied each month until the retiree remains absent from employment
27 with an employer for one full calendar month.

28 (b) The benefit reduction provided in (a) of this subsection will
29 accrue for a maximum of one hundred sixty hours per month. Any benefit
30 reduction over one hundred percent will be applied to the benefit the
31 retiree is eligible to receive in subsequent months.

32 (2)(a) Except as provided in (b) of this subsection, a retiree from
33 plan 1 who enters employment with an employer at least one calendar
34 month after his or her accrual date may continue to receive pension
35 payments while engaged in such service for up to eight hundred sixty-
36 seven hours of service in a calendar year without a reduction of
37 pension.

(b) A retiree from plan 1 who enters employment with an employer at least three calendar months after his or her accrual date and:

(i) ~~Is hired into ((a position for which the employer has documented a justifiable need to hire a retiree into the position))~~ one of the following employment positions: Actuary, including an actuary associate, correctional health investigator, dentist, pharmacist, physician, public health advisor, radiation health physicist, or radiology technician;

(ii) Is hired through the established process for the position with the approval of: A school board for a school district; the chief executive officer of a state agency employer; the secretary of the senate for the senate; the chief clerk of the house of representatives for the house of representatives; the secretary of the senate and the chief clerk of the house of representatives jointly for the joint legislative audit and review committee, the legislative transportation committee, the joint committee on pension policy, the legislative evaluation and accountability program, the legislative systems committee, and the statute law committee; or according to rules adopted for the rehiring of retired plan 1 members for a local government employer; and

(iii) The employer retains records of the procedures followed and decisions made in hiring the retiree, and provides those records in the event of an audit; ~~((and~~

~~((iv) The employee has not already rendered a cumulative total of more than one thousand nine hundred hours of service while in receipt of pension payments beyond an annual threshold of eight hundred sixty-seven hours;))~~

shall cease to receive pension payments while engaged in that service after the retiree has rendered service for more than one thousand five hundred hours in a calendar year. ~~((The one thousand nine hundred hour cumulative total under this subsection applies prospectively to those retiring after July 27, 2003, and retroactively to those who retired prior to July 27, 2003, and shall be calculated from the date of retirement.))~~

(c) When a plan 1 member renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that calendar year.

1 (d) A retiree from plan 2 or plan 3 who has satisfied the break in
2 employment requirement of subsection (1) of this section may work up to
3 eight hundred sixty-seven hours in a calendar year in an eligible
4 position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or
5 41.40.010, or as a fire fighter or law enforcement officer, as defined
6 in RCW 41.26.030, without suspension of his or her benefit.

7 (3) If the retiree opts to reestablish membership under RCW
8 41.40.023(12), he or she terminates his or her retirement status and
9 becomes a member. Retirement benefits shall not accrue during the
10 period of membership and the individual shall make contributions and
11 receive membership credit. Such a member shall have the right to again
12 retire if eligible in accordance with RCW 41.40.180. However, if the
13 right to retire is exercised to become effective before the member has
14 rendered two uninterrupted years of service, the retirement formula and
15 survivor options the member had at the time of the member's previous
16 retirement shall be reinstated.

17 (4) The department shall collect and provide the state actuary with
18 information relevant to the use of this section for the select
19 committee on pension policy. By December 1st of each year, the
20 department of personnel, the superintendent of public instruction, and
21 any other employer listed in subsection (2)(b) of this section may
22 recommend to the appropriate legislative fiscal committees a list of
23 employment positions to be considered by the legislature for inclusion
24 in subsection (2)(b) of this section. In the case of each position,
25 the recommendation shall include a documented and justifiable need to
26 hire retirees into that position.

27 (5) The legislature reserves the right to amend or repeal this
28 section in the future and no member or beneficiary has a contractual
29 right to be employed for more than five months in a calendar year
30 without a reduction of his or her pension.

31 NEW SECTION. Sec. 5. A retiree from plan 1 of the public
32 employees' retirement system who entered employment with an employer
33 under RCW 41.40.037(2)(b) as it existed prior to its amendment by
34 chapter . . ., Laws of 2005 (this act) may continue to receive pension
35 payments under the terms and conditions of that statute until December
36 31, 2005.

1 NEW SECTION. **Sec. 6.** If any provision of this act or its
2 application to any person or circumstance is held invalid, the
3 remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
6 preservation of the public peace, health, or safety, or support of the
7 state government and its existing public institutions, and takes effect
8 immediately, except for section 4 of this act which takes effect July
9 1, 2006.

10 NEW SECTION. **Sec. 8.** Section 3 of this act expires July 1, 2006.

--- END ---

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

1/24/05

SB 5286

SUMMARY OF BILL:

This bill impacts the Public Employees' Retirement System plan 1 (PERS 1), and Teachers' Retirement System plan 1 (TRS 1) by amending the statutes relating to post-retirement employment. The bill:

Limits TRS 1 post-retirement employment for retirees with one month of separation to 867 hours in a school year.

Allows a TRS 1 retiree to work up to 1,500 hours in a school year if the member separates for one and one-half calendar months and,

- is hired into a special education, science, or mathematics position for which the school board has documented a justifiable need to hire a retiree,
- is hired through the established process for the position with the approval of the school board or the prospective employer, and
- the employer retains records of the hiring procedures in the event of an audit.

Provides the superintendent of public instruction a process to recommend to the legislature a list of employment positions to be considered for inclusion on the list of those with a documented justifiable need for which a retiree may be hired.

Allows TRS 1 members currently employed under post-retirement agreements to continue in those agreements until December 31, 2005.

The bill allows a PERS 1 retiree to work up to 1,500 hours in a calendar year if the member separates for three calendar months and is hired into an actuary, actuarial associate, correctional health investigator, dentist, pharmacist, physician, public health advisor, radiation health physicist, or radiology technician position.

Provides PERS employers a process to recommend to the legislature a list of employment positions to be considered for inclusion on the list of those with a documented justifiable need for which a retiree may be hired.

Removes the 1,900 hour cumulative limit beyond the existing 867 hour annual threshold in PERS 1.

Allows PERS 1 members currently employed under post-retirement agreements to continue in those agreements until December 31, 2005.

Effective Date: Immediately upon signing

CURRENT SITUATION:

Currently, TRS 1 retirees may, after a separation of one calendar month, return to work for up to 1,500 hours per year before their retirement benefit is suspended. There is no current educational discipline or subject matter requirement.

Currently, PERS 1 retirees may, after a separation of one calendar month, return to work for up to 867 per year before their retirement benefit is suspended. After a separation of 3 months, PERS 1 retirees may return to work for up to 1,500 hours per year before their retirement benefit is suspended if they are hired into a position for which the employer has documented a justifiable need to hire a retiree. PERS 1 retirees are also subject to a 1,900 hour cumulative lifetime limit on the amount they may work over the 867 hour per year standard. There is no current occupational requirement.

MEMBERS IMPACTED:

This bill potentially affects all current and future PERS 1 and TRS 1 retirees. Beneficiaries of retired members are not affected. Members potentially affected include 70,958 PERS 1 and 44,301 TRS1, active, terminated vested, and retired members.

FISCAL IMPACT:

The fiscal impact of this proposal to the affected retirement systems is indeterminate. During the 2003 interim, the Select Committee on Pension Policy studied this issue and recommended that a proposal to charge individual employers for the cost of the expansion of the post-retirement employment provisions be deferred until further data and study is available. Further data and study is not available at this time. Therefore, the cost of the original legislation and any modifications to that legislation is indeterminate at this time.

SENATE BILL 5695

State of Washington

59th Legislature

2005 Regular Session

By Senators Sheldon, Benton, Benson and Rasmussen

Read first time 02/02/2005. Referred to Committee on Ways & Means.

1 AN ACT Relating to awarding service credit under the teachers'
2 retirement system plan 1 for military service; and amending RCW
3 41.32.260.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.32.260 and 1992 c 212 s 8 are each amended to read
6 as follows:

7 (1) Any member whose public school service is interrupted by active
8 service to the United States as a member of its military, naval or air
9 service, or to the state of Washington, as a member of the legislature,
10 may upon becoming reemployed in the public schools, receive credit for
11 that service upon presenting satisfactory proof, and contributing to
12 the member reserve, either in a lump sum or installments, amounts
13 determined by the director. Except that no military service credit in
14 excess of five years shall be established or reestablished after July
15 1, 1961, unless the service was actually rendered during time of war.

16 (2)(a) After completing twenty-five years of creditable service,
17 any member may have service in the armed forces that was performed
18 prior to membership in the retirement system credited to him or her as

1 a member. However, the total number of years of military service
2 credit from all sources, as authorized by any statute, may not exceed
3 five years.

4 (b) The member must also contribute to the member reserve, either
5 in a lump sum or installments, the member's contribution as determined
6 by the director.

7 (c) This section does not apply to any individual, not a veteran
8 within the meaning of RCW 41.04.005. Military service shall not be
9 credited to any member who is receiving full military retirement
10 benefits pursuant to Title 10 United States Code.

--- END ---